

Senate Bill No. 1096

CHAPTER 211

An act to amend Section 41204.1 of the Education Code, to amend Sections 6585, 6588, 6590, 6591, 6592, and 25350.55 of, and to add Sections 6588.5, 6599.3, and 17617 to, the Government Code, to amend Sections 18115, 33020, 33333.2, 33333.6, 33672, and 33683 of, and to add Sections 33681.12, 33681.13, and 33681.14 to, the Health and Safety Code, to amend Sections 97.31, 97.68, 98.02, 7203.1, 10752, 10752.1, 10753.2, 11001.5, and 11003 of, to amend and repeal Section 10754 of, to add Sections 96.81, 97.70, 97.71, 97.72, 97.73, 97.74, 97.75, 97.76, 97.77, and 10754.11 to, to repeal Sections 10753.8, 11000, and 11005.7 of, and to repeal and add Section 11005 of, the Revenue and Taxation Code, to amend Section 42205 of the Vehicle Code, to amend Section 40 of Chapter 91 of the Statutes of 1991, and to repeal Section 210 of Chapter 89 of the Statutes of 1991 and Section 29 of Chapter 100 of the Statutes of 1993, relating to local government finance, and declaring the urgency thereof, to take effect immediately.

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LEGISLATIVE COUNSEL'S DIGEST

SB 1096, Committee on Budget and Fiscal Review. Local government finance.

(1) The Marks-Roos Local Bond Pooling Act of 1985 generally authorizes a joint exercise of powers authority to issue bonds to assist local agencies in financing public capital improvements, working capital, liability or other insurance needs, or projects, subject to specified conditions.

Existing law sets forth the procedures pursuant to which a public agency may bring or respond to an action in the superior court to determine the validity of matters generally authorized to be determined by the court.

This bill additionally would authorize a local agency to sell to a joint exercise of powers authority, and authorize the authority to purchase, with the proceeds of its bonds or its revenue, VLF receivables, defined as any right to payment for moneys due or to become due to a local agency out of funds payable in connection with vehicle license fees. It would authorize the authority to pledge, assign, resell or otherwise transfer or hypothecate any VLF receivables for the purpose of securing bonds issued to finance the purchase price of the VLF receivables.

The bill would specify that an action may be brought in the superior court to determine the validity of any bonds issued under the act to finance the purchase of bonds for local agencies, the financing of public capital improvements, or the purchase of VLF receivables and any contracts of sale of VLF receivables entered into by any local agency, and any related documents.

(2) Existing law authorizes the board of supervisors of the County of Orange to elect, by resolution, to guarantee payment under a financing agreement, or to guarantee payment under an agreement to finance the lease or lease-purchase of property through the issuance of certificates of participation or lease revenue bonds by providing notice and a transfer schedule, subject to specified conditions. If the Controller is notified that the funds otherwise available to the county will not be sufficient to make any payment under the financing agreement at the time that payment is required, or the county fails to make any payment under the financing agreement at the time that payment is required, the Controller is required to make an apportionment to the trustee appointed by the county in the amount of that required payment for the purpose of making that payment. The Controller is required to make the payment only from moneys credited to the Motor Vehicle License Fee Account in the Transportation Tax Fund to which the county is entitled at that time under specified provisions of law, and to reduce, by the amount of the payment, the subsequent allocation or allocations to which the county would otherwise be entitled under those provisions.

This bill instead would require the county, if funds otherwise available to the county will not be sufficient to make any payment under the financing agreement at the time that payment is required, or the county fails to make any payment under the financing agreement at the time that payment is required, to immediately notify the county auditor and deliver to the county auditor a duly certified copy of the resolution of the board of supervisors adopted pursuant to existing law. It would require the county auditor to reduce the vehicle license fee adjustment amount and transmit those funds to the Controller to the extent necessary to make the payments required.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would require that the total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under those provisions of the California Constitution, be appropriated for payment to these entities over a period of not more than five years, commencing



with the Budget Act for the 2006–07 fiscal year and concluding with the Budget Act for the 2011–12 fiscal year.

(4) The Vehicle License Fee (VLF) Law establishes, in lieu of any ad valorem property tax upon vehicles, an annual license fee for any vehicle subject to registration in this state in the amount of 2% of the market value of that vehicle, as specified, but offsets this amount by 67.5% for vehicle license fees with a final due date on or after July 1, 2001. Existing law provides that any increases in the computation of the vehicle license fee made during the 1991–92 legislative session will cease to be operative if either of 2 specified contingencies occur. Legislation was enacted during that legislative session that adjusted an existing statutory depreciation schedule in a manner that increased the vehicle license fee. On January 28, 2004, one of the specified contingencies occurred and, in accordance with these contingency provisions, the statutory depreciation schedule became inoperative on March 1, 2004.

This bill would, beginning on January 1, 2005, repeal the offset to the vehicle license fee and instead reduce the rate under the VLF Law to 0.65% of the market value of a vehicle. This bill would also repeal these contingency provisions and, notwithstanding any other provision of law, would reinstate the statutory depreciation schedule.

(5) Existing law allocates revenues derived under the VLF Law among counties and cities and also requires that General Fund moneys be transferred, as specified, to cities and counties to compensate for reduced revenues resulting from VLF offsets. Existing law requires counties to utilize certain VLF Law revenues for local health and welfare programs.

This bill would repeal, amend, revise, and recast various provisions relating to VLF revenue allocations, VLF offsets, and General Fund transfers to cities, counties, and cities and counties to compensate these entities for reduced revenues resulting from these offsets. This bill would require, for the 2004–05 fiscal year and each fiscal year thereafter, that each city, county, and city and county annually receive a vehicle license fee adjustment amount, as defined, from a Vehicle License Fee Property Tax Compensation Fund, which this bill would create in each county.

(6) Existing property tax law requires the county auditor, for each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law also reduces the amounts of ad valorem property tax revenue that would



otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, that the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund (ERAF) in that county for allocation to school districts, community college districts, and the county office of education.

Existing law also requires a redevelopment agency, during the 2003–04 fiscal year, to remit to the county auditor an amount of revenue, determined in accordance with specified calculations made by the Director of Finance and based on a specified report of the Controller, for deposit in the Educational Revenue Augmentation Fund in each county for allocation to school entities.

This bill would, for the 2004–05 and 2005–06 fiscal years, reduce, by a specified amount, the vehicle license fee adjustment amount required to be allocated to a city, county, and city and county and instead require these revenues to be deposited in a county ERAF. This bill would also, for those same fiscal years, require a transfer of ad valorem property tax revenues from enterprise special districts and nonenterprise special districts, as defined, to county ERAFs. This bill would also require, for the 2006–07 fiscal year, that the amount of ad valorem property tax revenue deemed allocated to each enterprise special district and nonenterprise special district be increased by an amount equal to their reductions for the 2004–05 and 2005–06 fiscal years. This bill would also require a redevelopment agency to make a remittance to county ERAFs for those same fiscal years. This bill would authorize a redevelopment agency to defer the payment of a portion of this remittance if that agency finds that it is unable, for either of certain reasons, to pay the full allocation, and if the agency adopts a specified resolution. The bill would also authorize a legislative body, in lieu of making that payment during the 2004–05 and 2005–06 fiscal years, to remit, prior to May 10, 2005, and 2006 respectively, a designated amount to the county auditor for deposit in the county's Educational Revenue Augmentation Fund. This bill also would make conforming changes to related provisions. By imposing new duties upon local tax officials in the annual allocation of these revenues, this bill would impose a state-mandated local program.

(7) Existing law authorizes a county to retain a portion of the ad valorem property tax revenue that would otherwise be allocated to



specified entities in a county to reimburse the county for costs in collecting and administering the ad valorem property tax.

This bill would, for the 2004–05 and 2005–06 fiscal years only, prohibit a county from imposing a fee, charge, or other levy on a city, or from retaining any portion of the ad valorem property tax revenue allocation of a city to reimburse the county for costs the county may incur under the bill and a specified statute.

(8) Existing law requires the Director of Finance to make certain adjustments in one of the formulas used in computing the state’s obligation under the California Constitution to provide funding for school districts and community college districts so as to ensure that the modifications in property tax revenue allocation requirements that were made by a prior enactment do not have a net fiscal impact on school districts or community college districts, or upon the state’s funding obligation to those districts.

This bill would instead apply the adjustment requirement to modifications in property tax revenue allocation requirements that are made by “qualifying provisions,” and would define “qualifying provisions” to include both the prior enactment currently specified by the adjustment requirement and specified statutes proposed to be added by this bill.

(9) Existing law requires the Controller to regularly audit the apportionment and allocation by counties of property tax revenue according to a specified schedule.

This bill would provide that, notwithstanding any other provision of law, where an audit conducted under that requirement between July 1, 1993, and June 30, 2001, determined that an allocation method is required to be adjusted and that a reallocation is required for previous fiscal years, the apportionments made by the county auditor during that period shall be deemed correct.

(10) Existing property tax law also allows, in the 1993-94 fiscal year, an eligible county, as defined, to decrease its reduction in property tax revenues for deposit in county ERAFs in accordance with a specified formula.

This bill would clarify that the decrease in the reduction in property tax revenues allowed to eligible counties in the 1993-94 fiscal year is incorporated into the formulae by which these revenues are allocated in subsequent fiscal years.

(11) The Bradley-Burns Uniform Local Sales and Use Tax Law (Bradley-Burns Law) authorizes a county that adopts a specified ordinance to impose a local sales and use tax at a rate of 1.25%, and similarly authorizes a city, located within a county imposing such a tax rate, to impose a local sales tax rate of 1% that is credited against the



county rate. Beginning July 1, 2004, and continuing through the revenue exchange period, as defined, existing law temporarily suspends the authority of a county or a city to impose a tax under the Bradley-Burns Law by requiring a county imposing a sales and use tax under that law to impose that tax at a rate of 1% and requiring an imposing city to impose that rate at 0.75%.

This bill would specify that rate that may be imposed by a county or a city under the Bradley-Burns Law during the revenue exchange period is the rate that was specified in the local ordinance as of January 1, 2004, reduced by 0.25%.

(12) Existing law requires the county auditor, for the fiscal adjustment period, which is defined to have the same meaning as the revenue exchange period, to decrease the amount of ad valorem property tax revenue allocated to a county's Educational Revenue Augmentation Fund by the countywide adjustment amount, as defined, and requires the auditor to instead allocate this amount to a county Sales and Use Tax Compensation Fund. Existing law requires the auditor, during this same period, to allocate moneys from a Sales and Use Tax Compensation Fund to cities and counties to reimburse these entities for revenue losses resulting from the suspension of their Bradley-Burns Law tax rate authority, as provided. For purposes of these provisions, existing law defines "countywide adjustment amount" as an amount estimated by the Director of Finance, based upon taxable sales in a county in a prior fiscal year, to reimburse cities and counties for revenue losses resulting from the suspension of their Bradley-Burns Law tax rate authority.

This bill would require the Director of Finance to estimate the countywide adjustment amount based upon the actual amount of local sales and use tax revenues transmitted to a county or a city in the prior fiscal year and any projected growth on this amount for the current fiscal year, as provided. This bill would also specify that any revenue allocated to a county or a city under these provisions be deemed "in lieu local sales and use tax revenue."

(13) This bill would also state legislative findings and declarations that the bill is an interim statute, and that its operation be suspended if Proposition 65 is approved by the voters at the November 2, 2004, statewide general election and becomes operative.

(14) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.



This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

(15) This bill would declare that it is to take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. Section 41204.1 of the Education Code is amended to read:

41204.1. (a) (1) Pursuant to paragraph (2) of subdivision (b) of Section 41204, the Director of Finance shall annually adjust “the percentage of General Fund revenues appropriated for school districts and community college districts, respectively, in the 1986–87 fiscal year” for purposes of applying paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, to reflect those property tax revenue allocation modifications required by the qualifying provisions in a manner that ensures that those modifications will have no net fiscal impact upon the amounts that are otherwise required to be applied by the state for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution.

(2) For purposes of this section, “qualifying provisions,” means the amendments made to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code and Article 7 (commencing with Section 33680) of Chapter 6 of Part 1 of Division 24 of the Health and Safety Code during the 1991–92 Regular Session to the 2003–04 Regular Session, inclusive, and during any Extraordinary Session concurrently held during those session years, inclusive.

(b) Notwithstanding any other provision of law, for the 2004–05 fiscal year and each fiscal year thereafter, “the percentage of General Fund revenues appropriated for school districts and community colleges districts, respectively, in fiscal year 1986–87,” for purposes of paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, shall be deemed to be the percentage of General Fund revenues that would have been appropriated for those entities if the qualifying provisions had been operative for the 1986–87 fiscal year.

(c) It is the intent of the Legislature in enacting the act adding this section to ensure both of the following:

(1) That the changes required by the qualifying provisions in the allocations of ad valorem property tax revenues do not have a net fiscal



impact upon school districts, as defined in Section 41302.5, or community college districts.

(2) That the changes required by the qualifying provisions in the allocations of ad valorem property tax revenues do not have a net fiscal impact upon the amounts of revenue otherwise required to be applied by the state for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution.

SEC. 2. Section 6585 of the Government Code is amended to read: 6585. The definitions in this section shall govern the construction and interpretation of this article.

(a) “Authority” means an entity created pursuant to Article 1 (commencing with Section 6500). In the case of an authority issuing bonds pursuant to this chapter in which VLF receivables, as defined in subdivision (i), are pledged to the payment of the bonds, an authority shall consist of not less than 100 local agencies.

(b) “Bond purchase agreement” means a contractual agreement executed between the authority and the local agency whereby the authority agrees to purchase bonds of the local agency.

(c) “Bonds” means bonds (including, but not limited to, assessment bonds, redevelopment agency bonds, government issued mortgage bonds, and industrial development bonds), notes (including bond, revenue, tax, or grant anticipation notes), commercial paper, floating rate, and variable maturity securities, and any other evidences of indebtedness and also includes certificates of participation or lease-purchase agreements.

(d) “Cost,” as applied to a public capital improvement or portion thereof financed under this part, means all or any part of the cost of construction, renovation, and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, easements, and interests acquired or used for a public capital improvement; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which the buildings or structures may be moved; the cost of all machinery and equipment; finance charges; interest prior to, during, and for a period after, completion of that construction, as determined by the authority; provisions for working capital, reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations, and improvements; the cost of architectural, engineering, financial and legal services, plans, specifications, estimates, administrative expenses, and other expenses necessary or incident to determining the feasibility of constructing any project or incident to the construction or acquisition or financing of any public capital improvement.



(e) “Legislative body” means the governing body of a local agency.

(f) “Local agency” means a party to the agreement creating the authority, or an agency or subdivision of that party, sponsoring a project of public capital improvements, or any city, county, city and county, authority, district, or public corporation of this state.

(g) “Public capital improvements” means one or more projects specified in Section 6546.

(h) “Revenue” means all income and receipts of the authority from a bond purchase agreement, bonds acquired by the authority, loans, installment sale agreements, and other revenue producing agreements entered into by the authority, projects financed by the authority, grants and other sources of income, VLF receivables purchased pursuant to Section 6588.5, and all interest or other income from any investment of any money in any fund or account established for the payment of principal or interest or premiums on bonds.

(i) “VLF receivable” means the right to payment of moneys due or to become due to a local agency out of funds payable in connection with vehicle license fees to a local agency pursuant to Section 10754.11 of the Revenue and Taxation Code.

(j) “Working capital” means money to be used by, or on behalf of, a local agency for any purpose for which a local agency may borrow money pursuant to Section 53852, or for any purpose for which a VLF receivable sold to an authority could have been used by the local agency.

SEC. 3. Section 6588 of the Government Code is amended to read:

6588. In addition to other powers specified in an agreement pursuant to Article 1 (commencing with Section 6500) and Article 2 (commencing with Section 6540), the authority may do any or all of the following:

(a) Adopt bylaws for the regulation of its affairs and the conduct of its business.

(b) Sue and be sued in its own name.

(c) Issue bonds, including, at the option of the authority, bonds bearing interest, to pay the cost of any public capital improvement, working capital, or liability or other insurance program. In addition, for any purpose for which an authority may execute and deliver or cause to be executed and delivered certificates of participation in a lease or installment sale agreement with any public or private entity, the authority, at its option, may issue or cause to be issued bonds, rather than certificates of participation, and enter into a loan agreement with the public or private entity.

(d) Engage the services of private consultants to render professional and technical assistance and advice in carrying out the purposes of this article.



(e) As provided by applicable law, employ and compensate bond counsel, financial consultants, and other advisers determined necessary by the authority in connection with the issuance and sale of any bonds.

(f) Contract for engineering, architectural, accounting, or other services determined necessary by the authority for the successful development of a public capital improvement.

(g) Pay the reasonable costs of consulting engineers, architects, accountants, and construction, land-use, recreation, and environmental experts employed by any sponsor or participant if the authority determines those services are necessary for the successful development of public capital improvements.

(h) Take title to, and sell by installment sale or otherwise, lands, structures, real or personal property, rights, rights-of-way, franchises, easements, and other interests in lands that are located within the state that the authority determines are necessary or convenient for the financing of public capital improvements, or any portion thereof.

(i) Receive and accept from any source, loans, contributions, or grants, in either money, property, labor, or other things of value, for, or in aid of, the construction financing, or refinancing of public capital improvement, or any portion thereof or for the financing of working capital or insurance programs, or for the payment of the principal of and interest on bonds if the proceeds of those bonds are used for one or more of the purposes specified in this section.

(j) Make secured or unsecured loans to any local agency in connection with the financing of capital improvement projects, working capital or insurance programs in accordance with an agreement between the authority and the local agency. However, no loan shall exceed the total cost of the public capital improvements, working capital or insurance needs of the local agency as determined by the local agency and by the authority.

(k) Make secured or unsecured loans to any local agency in accordance with an agreement between the authority and the local agency to refinance indebtedness incurred by the local agency in connection with public capital improvements undertaken and completed.

(l) Mortgage all or any portion of its interest in public capital improvements and the property on which any project is located, whether owned or thereafter acquired, including the granting of a security interest in any property, tangible or intangible.

(m) Assign or pledge all or any portion of its interests in mortgages, deeds of trust, indentures of mortgage or trust, or similar instruments, notes, and security interests in property, tangible or intangible, of a local agency to which the authority has made loans, and the revenues



therefrom, including payment or income from any interest owned or held by the authority, for the benefit of the holders of bonds issued to finance public capital improvements. The pledge of moneys, revenues, accounts, contract rights, or rights to payment of any kind made by or to the authority pursuant to the authority granted in this part shall be valid and binding from the time the pledge is made for the benefit of the pledgees and successors thereto, against all parties irrespective of whether the parties have notice of the claim.

(n) Lease the public capital improvements being financed to a local agency, upon terms and conditions that the authority deems proper; charge and collect rents therefor; terminate any lease upon the failure of the lessee to comply with any of the obligations of the lease; include in any lease provisions that the lessee shall have options to renew the lease for a period or periods, and at rents as determined by the authority; purchase or sell by an installment agreement or otherwise any or all of the public capital improvements; or, upon payment of all the indebtedness incurred by the authority for the financing or refinancing of the public capital improvements, the authority may convey any or all of the project to the lessee or lessees.

(o) Charge and apportion to local agencies that benefit from its services the administrative costs and expenses incurred in the exercise of the powers authorized by this article. These fees shall be set at a rate sufficient to recover, but not exceed, the authority's costs of issuance and administration. The fee charged to each local obligation acquired by the pool shall not exceed that obligation's proportionate share of those costs. The level of these fees shall be disclosed to the California Debt and Investment Advisory Commission pursuant to Section 6599.1.

(p) Issue, obtain, or aid in obtaining, from any department or agency of the United States or of the state, or any private company, any insurance or guarantee to, or for, the payment or repayment of interest or principal, or both, or any part thereof, on any loan, lease, or obligation or any instrument evidencing or securing the same, made or entered into pursuant to this article.

(q) Notwithstanding any other provision of this article, enter into any agreement, contract, or any other instrument with respect to any insurance or guarantee; accept payment in the manner and form as provided therein in the event of default by a local agency; and assign any insurance or guarantee that acts as security for the authority's bonds.

(r) Enter into any agreement or contract, execute any instrument, and perform any act or thing necessary, convenient, or desirable to carry out any power authorized by this article.



(s) Invest any moneys held in reserve or sinking funds, or any moneys not required for immediate use or disbursement, in obligations that are authorized by law for the investment of trust funds.

(t) At the request of affected local agencies, combine and pledge revenues to public capital improvements for repayment of one or more series of bonds issued pursuant to this article.

(u) Delegate to any of its individual parties or other responsible individuals the power to act on its behalf subject to its general direction, guidelines, and oversight.

(v) Purchase, with the proceeds of its bonds or its revenue, bonds issued by any local agency at public or negotiated sale. Bonds purchased pursuant to this subdivision may be held by the authority or sold to public or private purchasers at public or negotiated sale, in whole or in part, separately or together with other bonds issued by the authority.

(w) Purchase, with the proceeds of its bonds or its revenue, VLF receivables sold to the authority pursuant to Section 6588.5. VLF receivables so purchased may be pledged to the payment of bonds issued by the authority or may be resold to public or private purchasers at public or negotiated sale, in whole or in part, separately or together with other VLF receivables purchased by the authority.

(x) Set any other terms and conditions on any purchase or sale pursuant to this section as it deems by resolution to be necessary, appropriate, and in the public interest, in furtherance of the purposes of this article.

SEC. 4. Section 6588.5 is added to the Government Code, to read:

6588.5. (a) An authority that was in existence at the time of the enactment of this section may purchase, with the proceeds of its bonds or its revenue, VLF receivables from one or more local agencies. The authority may pledge, assign, resell or otherwise transfer or hypothecate any VLF receivables for the purpose of securing bonds issued to finance the purchase price of the VLF receivables.

(b) Notwithstanding any other provision of law, local agencies may sell VLF receivables to the authority, at one time or from time to time, and to enter into one or more sales agreements with an authority as and on the terms the local agency deems appropriate. The sales agreement may include covenants of, and binding on, the local agency necessary to establish and maintain the security of bonds issued by the authority for the purpose of purchasing the VLF receivables and, if applicable, the exclusion from gross income of interest on the bonds for federal income tax purposes. Any transfer of some or all of a VLF receivable by a local agency to the authority under this article that the governing documents state is a sale shall be treated as an absolute sale and transfer of the property so transferred to the authority and not as a pledge or grant of a



security interest by the local agency to secure a borrowing. The characterization of the transfer of any VLF receivable as an absolute sale by the local agency shall not be negated or adversely affected by any of the following:

- (1) The fact that only a portion of the VLF receivable is transferred.
 - (2) By the local agency's acquisition of an ownership interest in any residual interest or a subordinate interest in the VLF receivable.
 - (3) By any characterization of the authority or its bonds for purposes of accounting, taxation, or securities regulation.
 - (4) By any other factor.
- (c) On and after the effective date of each transfer of a VLF receivable under this article that the governing documents state is a sale, the local agency shall have no right, title, or interest in or to the VLF receivable transferred, and the VLF receivable so transferred shall be the property of the authority and not of the local agency, and shall be owned, received, held, and disbursed only by the authority or any trustee or agent of the authority appointed by the authority. Any sale of some or all of any VLF receivable shall automatically be perfected without the need for physical delivery, recordation, filing, or further act, and the provisions of Division 9 (commencing with Section 9101) of the Commercial Code and Sections 954.5 to 955.1, inclusive, of the Civil Code shall not apply to the sale. None of the VLF receivables sold by the local agency pursuant to this article shall be subject to garnishment, levy, execution, attachment, or other process, writ, including, but not limited to, a writ of mandate, or remedy in connection with the assertion or enforcement of any debt, claim, settlement, or judgment against the local agency. On or before the effective date of any sale of a VLF receivable, the local agency shall notify the Controller that the VLF receivable has been sold to the authority and irrevocably instruct the payor that, as of the effective date, payments on the VLF receivable so sold are to be made directly to the authority or any trustee or agent appointed by the authority.
- (d) The state hereby covenants, for the benefit of the holders of any bonds issued by the authority pursuant to this article payable from VLF receivables purchased by the authority, that it will not take any action that would materially adversely affect the interest of the holders of these bonds or otherwise impair the security of these bonds, so long as any of these bonds remain outstanding.

SEC. 5. Section 6590 of the Government Code is amended to read:

6590. The authority may, from time to time, issue its bonds in the principal amount as the authority determines necessary to provide sufficient funds for its purposes, which may include, but shall not be limited to, providing funds for bond purchase agreements, payment of the purchase price of VLF receivables, payment of interest on bonds of



the authority, establishment of reserves to secure the bonds, and other expenditures of the authority incident to issuance of the bonds. The authority may also issue bonds for the purpose of making loans to local agencies, to the extent those local agencies are authorized by law to borrow moneys, or to purchase VLF receivables from local agencies as provided in Section 6588.5, and the loan or sale proceeds shall be used by the local agencies to pay for public capital improvements, working capital, or insurance programs.

In the case of any authority in existence on January 1, 1988, no loans shall be made to local agencies for working capital or insurance, unless that purpose is first approved by resolution of the governing body of the authority by unanimous vote of all members of the governing body.

SEC. 6. Section 6591 of the Government Code is amended to read:

6591. (a) The authority is authorized from time to time to issue bonds to provide funds to achieve its purposes.

(b) Bonds may be authorized to finance a single public capital improvement, working capital, purchase of VLF receivables, or insurance program for a single local agency; a series of public capital improvements, working capital, purchases of VLF receivables, or insurance program for a single local agency; a single public capital improvement, working capital, or purchases of VLF receivables, insurance program for two or more local agencies; or a series of public capital improvements, working capital, purchases of VLF receivables, insurance programs for two or more local agencies.

(c) Bonds issued for the purpose of financing working capital shall be used to make loans to local agencies for any of the purposes for which a local agency may borrow money pursuant to Section 53852. The loans shall be repaid in accordance with the terms of Section 53854.

(d) Except as otherwise expressly provided by the authority, every issue of its bonds shall be general obligations of the authority payable from any revenues or moneys of the authority available therefor and not otherwise pledged. These revenues or moneys may include the proceeds of additional bonds, subject only to any agreements with the holders of particular bonds pledging any particular revenues or moneys. Notwithstanding that the bonds may be payable from a special fund, these bonds shall be deemed to be negotiable instruments for all purposes, subject only to the bond registration provisions.

(e) The bonds may be issued as serial bonds or as term bonds, or the authority may issue bonds of both types. The bonds shall be authorized by resolution of the authority and shall, as provided by the resolution or indenture pursuant to which the bonds are issued, bear the date of issuance; the time of maturity, not exceeding 50 years from their date of issuance; bear the rate of interest, either fixed or variable, and, if



variable, not in excess of the maximum rate of interest specified therein; be payable as to principal and interest at the time or times provided; be in the denominations provided; be in the form provided; carry the registration privileges provided; be executed in the manner provided; be payable in lawful money of the United States at the place or places provided within or without the state; and be subject to the terms of redemption provided.

(f) The bonds shall be sold by the authority at the time and in the manner set out in the authority's resolution. The sale may be a public or private sale, and for price or prices, and on terms and conditions as the authority determines proper, after giving due consideration to the recommendations of any local agency to be assisted from the proceeds of the bonds. Pending preparation of the definitive bonds, the authority may issue interim receipts, certificates, or temporary bonds which shall be exchanged for definitive bonds.

(g) In the case of bonds issued by an authority, on or after January 1, 1995, for the purpose of purchasing bonds of a local agency, all of the bonds of the local agency shall be purchased by the authority from the proceeds of the authority bonds within 90 days of the date of issuance of the authority bonds. Nothing in this subdivision shall be construed to preclude an authority from issuing parity bonds at any time.

SEC. 7. Section 6592 of the Government Code is amended to read:

6592. Any resolution authorizing any bonds or any issue of bonds may contain the following provisions, which shall be a part of the contract with the holders of the bonds to be authorized:

(a) Provisions pledging the full faith and credit of the authority, or pledging all or any part of the revenues of any public capital improvements, or any revenue-producing contract or contracts made by the authority with any local agency, any VLF receivables purchased pursuant to Section 6588.5, or any other moneys of the authority, to secure the payment of the bonds, and of any special account, subject to those agreements with bondholders as may then exist.

(b) Provisions setting out the rentals, fees, purchase payments, loan repayments, and other charges, and the amounts to be raised in each year thereby, and the use and disposition of the revenues.

(c) Provisions setting aside reserves or sinking funds, and the regulation and disposition thereof.

(d) Limitations on the right of the authority or its agent to restrict and regulate the use of the public capital improvements to be financed out of the proceeds of the bonds or any particular issue of bonds.

(e) Limitations on the purpose to which the proceeds of sale of any issue of bonds may be applied, and pledging the proceeds to secure the payment of the bonds or any issue of the bonds.



(f) Limitations on the issuance of additional bonds, the terms upon which additional bonds may be issued and secured, and the refunding of outstanding bonds.

(g) The procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds and the holders thereof that are required to give consent thereto, and the manner in which the consent may be given.

(h) Limitations on expenditures for operating, administrative, or other expenses of the authority.

(i) Definitions of acts or omissions to act which constitute a default in the duties of the authority to holders of its obligations, and providing the rights and remedies of the holders in the event of a default.

(j) The mortgaging of any public capital improvements and the site thereof for the purpose of securing the bondholders.

(k) The mortgaging of land, improvements, or other assets owned by a local agency for the purpose of securing the bondholders.

(l) Procedures for the selection of public capital improvements to be financed with the proceeds of the bonds authorized by the resolution, if the bonds are to be sold in advance of designating the public capital improvements and the local agency to receive the financing.

SEC. 8. Section 6599.3 is added to the Government Code, to read:

6599.3. Notwithstanding any other provision of law, an action may be brought under Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure, to determine the validity of any bonds issued under this article to finance the purchase of bonds for local agencies, the financing of public capital improvements, or the purchase of VLF receivables pursuant to Section 6588.5 and any contracts of sale of VLF receivables entered into by any local agency, and any related documents. If an action is commenced, the action shall be brought in the jurisdiction in which the authority maintains its principal office and is not required to be brought in the jurisdiction or jurisdictions of any of the local agencies. However, publication of summons, as provided in Section 861 of the Code of Civil Procedure, shall be made in the county in which the authority maintains its principal office and in each county in which any local agency that has sold bonds to the authority, for which a public capital improvement is being financed or that has entered into a sales agreement for a VLF receivable where the authority is located.

SEC. 8.5. Section 17617 is added to the Government Code, to read:

17617. The total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under Section 6 of Article XIII B of the California Constitution, shall be appropriated for payment to these entities over a period of not more than five years, commencing with the



Budget Act for the 2006–07 fiscal year and concluding with the Budget Act for the 2011–12 fiscal year.

SEC. 9. Section 25350.55 of the Government Code is amended to read:

25350.55. (a) Prior to entering into an agreement to finance the lease or lease-purchase of property through the execution and delivery or issuance, as the case may be, of certificates of participation or lease revenue bonds, the board may elect, by resolution, to guarantee payment under that financing agreement in accordance with the following:

(1) A county that elects to participate under this section shall provide notice to the Controller of that election, which shall include a schedule for the payments to be made by the county under that financing agreement, and identify a trustee appointed by the county for the purposes of this section.

(2) In the event that, for any reason, the funds otherwise available to the county will not be sufficient to make any payment under the financing agreement at the time that payment is required, the county shall so notify the trustee. The trustee shall immediately communicate that information to the affected holders of certificates of participation or bondholders, and to the Controller.

(3) When the Controller receives notice from the trustee as described in paragraph (2), or the county fails to make any payment under the financing agreement at the time that payment is required, the Controller shall make an apportionment to the trustee in the amount of that required payment for the purpose of making that payment. The Controller shall make that payment only from funds received from the county auditor pursuant to paragraph (4).

(4) If either of the circumstances set forth in paragraphs (2) and (3) occur, the county shall immediately notify the county auditor and deliver to the county auditor a duly certified copy of the resolution of the board of supervisors adopted pursuant to Section 29530.5. The county auditor shall reduce the vehicle license fee adjustment amount set forth in Section 97.70 of the Revenue and Taxation Code and transmit those funds to the Controller to the extent necessary to make the payments required by paragraphs (2) and (3).

(5) As an alternate to the procedure set forth in paragraphs (2) and (3), the board of supervisors may provide a transfer schedule in a notice to the Controller of its election to participate under this section. The transfer schedule shall set forth amounts to be transferred to the trustee and the date or dates for the transfers and the Controller shall, subject to the limitation in the second sentence of paragraph (3), make apportionments to the trustee in those amounts on the specified date or dates for the purpose of making those transfers.



(6) In the event that for any reason, the county is no longer obligated for any period to make all or a portion of the payments with respect to the lease or lease-purchase financed through the execution and delivery, or issuance, as the case may be, of certificates of participation or lease revenue bonds, the trustee shall notify the affected holders of certificates of participation or bondholders. The trustee shall also notify the Controller. Upon receipt of the notification, the Controller shall cease making the transfers. If after giving notice, the obligation of the county to make payments with respect to a lease or lease-purchase financed through the execution and delivery or issuance, as the case may be, of certificates of participation or lease revenue bonds is restored, the trustee shall so notify the affected holders of certificates of participation or bondholders and the Controller. Upon receipt of the notification, the Controller shall resume making the transfers.

(b) This section shall not be construed to obligate the State of California to make any payment to a county from the Motor Vehicle License Fee Account in the Transportation Tax Fund in any amount or pursuant to any particular allocation formula, or to make any other payment to a county, including, but not limited to, any payment in satisfaction of any debt or liability incurred or guaranteed by a county in accordance with this section.

SEC. 10. Section 18115 of the Health and Safety Code is amended to read:

18115. Commencing July 1, 1981, the vehicle license fee levied pursuant to Section 10751 of the Revenue and Taxation Code on manufactured homes and mobilehomes not subject to local property taxation pursuant to Part 13 (commencing with Section 5800) of Division 1 of the Revenue and Taxation Code, or commercial coaches, shall be paid to the department. The annual amount of the fee shall be a sum equal to 2 percent, and on and after January 1, 2005, 0.65 percent, of the market value of the manufactured home, mobilehome, or commercial coach. The market value shall be determined by the department upon the basis of the original sales price of the manufactured home, mobilehome, or commercial coach when first sold to a consumer as a new manufactured home, mobilehome, or commercial coach. The annual amount of the fee charged to the owner of a manufactured home or mobilehome subject to a license fee which replaces a manufactured home or mobilehome destroyed, on or after January 1, 1982, as the result of a disaster declared by the Governor, and which meets the requirements of Chapter 2.6 (commencing with Section 172) of Part 1 of Division 1 of the Revenue and Taxation Code, shall be determined in accordance with Section 172.1 of the Revenue and Taxation Code. In the event any manufactured home, mobilehome, or commercial coach subject to this



article is modified or added to at a cost of two hundred dollars (\$200), or more, a copy of the building permit required for these modifications shall be entered in the permanent record of the manufactured home, mobilehome, or commercial coach and the department shall classify or reclassify the manufactured home, mobilehome, or commercial coach in its proper class as provided in Section 18115.5. These provisions shall not apply in the event that the modifications are necessary to enable a handicapped person to enter and use the manufactured home, mobilehome, or commercial coach.

SEC. 11. Section 33020 of the Health and Safety Code is amended to read:

33020. “Redevelopment” means the planning, development, replanning, redesign, clearance, reconstruction, or rehabilitation, or any combination of these, of all or part of a survey area, and the provision of those residential, commercial, industrial, public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them and payments to school and community college districts in the fiscal years specified in Sections 33681, 33681.5, 33681.7, 33681.9, and 33681.12.

SEC. 12. Section 33333.2 of the Health and Safety Code is amended to read:

33333.2. (a) A redevelopment plan containing the provisions set forth in Section 33670 shall contain all of the following limitations. A redevelopment plan that does not contain the provisions set forth in Section 33670 shall contain the limitations in paragraph (4):

(1) (A) A time limit on the establishing of loans, advances, and indebtedness to be paid with the proceeds of property taxes received pursuant to Section 33670 to finance in whole or in part the redevelopment project, which may not exceed 20 years from the adoption of the redevelopment plan, except by amendment of the redevelopment plan as authorized by subparagraph (B). This limit, however, shall not prevent agencies from incurring debt to be paid from the Low and Moderate Income Housing Fund or establishing more debt in order to fulfill the agency’s housing obligations under subdivision (a) of Section 33333.8. The loans, advances, or indebtedness may be repaid over a period of time longer than this time limit as provided in this section. No loans, advances, or indebtedness to be repaid from the allocation of taxes shall be established or incurred by the agency beyond this time limitation. This limit shall not prevent agencies from refinancing, refunding, or restructuring indebtedness after the time limit if the indebtedness is not increased and the time during which the



indebtedness is to be repaid is not extended beyond the time limit to repay indebtedness required by this section.

(B) The time limitation established by subparagraph (A) may be extended only by amendment of the redevelopment plan after the agency finds, based on substantial evidence, that (i) significant blight remains within the project area; and (ii) this blight cannot be eliminated without the establishment of additional debt. However, this amended time limitation may not exceed 30 years from the effective date of the ordinance adopting the redevelopment plan, except as necessary to comply with subdivision (a) of Section 33333.8.

(2) A time limit, not to exceed 30 years from the adoption of the redevelopment plan, on the effectiveness of the redevelopment plan. After the time limit on the effectiveness of the redevelopment plan, the agency shall have no authority to act pursuant to the redevelopment plan except to pay previously incurred indebtedness and to enforce existing covenants or contracts, unless the agency has not completed its housing obligations pursuant to subdivision (a) of Section 33333.8, in which case the agency shall retain its authority to implement requirements under subdivision (a) of Section 33333.8, including its ability to incur and pay indebtedness for this purpose, and shall use this authority to complete these housing obligations as soon as is reasonably possible.

(3) A time limit, not to exceed 45 years from the adoption of the redevelopment plan, to repay indebtedness with the proceeds of property taxes received pursuant to Section 33670. After the time limit established pursuant to this paragraph, an agency may not receive property taxes pursuant to Section 33670, except as necessary to comply with subdivision (a) of Section 33333.8.

(4) A time limit, not to exceed 12 years from the adoption of the redevelopment plan, for commencement of eminent domain proceedings to acquire property within the project area. This time limitation may be extended only by amendment of the redevelopment plan.

(b) If a redevelopment plan is amended to add territory, the amendment shall contain the time limits required by this section.

(c) When an agency is required to make a payment pursuant to Section 33681.9, the legislative body may amend the redevelopment plan to extend the time limits required pursuant to paragraphs (2) and (3) of subdivision (a) by one year by adoption of an ordinance. In adopting this ordinance, neither the legislative body nor the agency is required to comply with Section 33354.6, Article 12 (commencing with Section 33450), or any other provision of this part relating to the amendment of redevelopment plans.



(d) When an agency is required pursuant to Section 33681.12 to make a payment to the county auditor for deposit in the county's Educational Revenue Augmentation Fund created pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code, the legislative body may amend the redevelopment plan to extend the time limits required pursuant to paragraphs (2) and (3) of subdivision (a) by the following:

(1) One year for each year in which a payment is made, if the time limit for the effectiveness of the redevelopment plan established pursuant to paragraph (2) of subdivision (a) is 10 years or less from the last day of the fiscal year in which such a payment is made.

(2) One year for each year in which a payment is made, if both of the following apply:

(A) The time limit for the effectiveness of the redevelopment plan established pursuant to paragraph (2) of subdivision (a) is more than 10 years but less than 20 years from the last day of the fiscal year in which a payment is made.

(B) The legislative body determines in the ordinance adopting the amendment that, with respect to the project, all of the following apply:

(i) The agency is in compliance with the requirements of Section 33334.2 or 33334.6, as applicable.

(ii) The agency has adopted an implementation plan in accordance with the requirements of Section 33490.

(iii) The agency is in compliance with subdivisions (a) and (b) of Section 33413, to the extent applicable.

(iv) The agency is not subject to sanctions pursuant to subdivision (e) of Section 33334.12 for failure to expend, encumber, or disburse an excess surplus.

(3) This subdivision shall not apply to any redevelopment plan if the time limits for the effectiveness of the redevelopment plan established pursuant to paragraph (2) of subdivision (a) is more than 20 years after the last day of the fiscal year in which a payment is made.

(4) The legislative body by ordinance may adopt the amendments provided for under this subdivision following a public hearing. Notice of the public hearing shall be mailed to the governing body of each of the affected taxing entities at least 30 days prior to the hearing. Notice shall also be published in a newspaper of general circulation in the community at least once, not less than 10 days prior to the date of the public hearing. The ordinance shall contain a finding of the legislative body that funds used to make a payment to the county's Educational Revenue Augmentation Fund pursuant to Section 33681.12 would otherwise have been used to pay the costs of projects and activities necessary to carry out the goals and objectives of the redevelopment

plan. In adopting an ordinance pursuant to this subdivision, neither the legislative body nor the agency is required to comply with Section 33354.6, Article 12 (commencing with Section 33450), or any other provision of this part.

(e) This section shall apply only to redevelopment projects for which a final redevelopment plan is adopted pursuant to Article 5 (commencing with Section 33360) on or after January 1, 1994, and to amendments that add territory and that are adopted on or after January 1, 1994.

SEC. 13. Section 33333.6 of the Health and Safety Code is amended to read:

33333.6. The limitations of this section shall apply to every redevelopment plan adopted on or before December 31, 1993.

(a) The effectiveness of every redevelopment plan to which this section applies shall terminate at a date that shall not exceed 40 years from the adoption of the redevelopment plan or January 1, 2009, whichever is later. After the time limit on the effectiveness of the redevelopment plan, the agency shall have no authority to act pursuant to the redevelopment plan except to pay previously incurred indebtedness, to comply with Section 33333.8 and to enforce existing covenants, contracts, or other obligations.

(b) Except as provided in subdivisions (f) and (g), a redevelopment agency may not pay indebtedness or receive property taxes pursuant to Section 33670 after 10 years from the termination of the effectiveness of the redevelopment plan pursuant to subdivision (b).

(c) (1) If plans that had different dates of adoption were merged on or before December 31, 1993, the time limitations required by this section shall be counted individually for each merged plan from the date of the adoption of each plan. If an amendment to a redevelopment plan added territory to the project area on or before December 31, 1993, the time limitations required by this section shall commence, with respect to the redevelopment plan, from the date of the adoption of the redevelopment plan, and, with respect to the added territory, from the date of the adoption of the amendment.

(2) If plans that had different dates of adoption are merged on or after January 1, 1994, the time limitations required by this section shall be counted individually for each merged plan from the date of the adoption of each plan.

(d) (1) Unless a redevelopment plan adopted prior to January 1, 1994, contains all of the limitations required by this section and each of these limitations does not exceed the applicable time limits established by this section, the legislative body, acting by ordinance on or before December 31, 1994, shall amend every redevelopment plan adopted prior to January 1, 1994, either to amend an existing time limit that



exceeds the applicable time limit established by this section or to establish time limits that do not exceed the provisions of subdivision (b) or (c).

(2) The limitations established in the ordinance adopted pursuant to this section shall apply to the redevelopment plan as if the redevelopment plan had been amended to include those limitations. However, in adopting the ordinance required by this section, neither the legislative body nor the agency is required to comply with Article 12 (commencing with Section 33450) or any other provision of this part relating to the amendment of redevelopment plans.

(e) (1) If a redevelopment plan adopted prior to January 1, 1994, contains one or more limitations required by this section, and the limitation does not exceed the applicable time limit required by this section, this section shall not be construed to require an amendment of this limitation.

(2) (A) A redevelopment plan adopted prior to January 1, 1994, that has a limitation shorter than the terms provided in this section may be amended by a legislative body by adoption of an ordinance on or after January 1, 1999, but on or before December 31, 1999, to extend the limitation, provided that the plan as so amended does not exceed the terms provided in this section. In adopting an ordinance pursuant to this subparagraph, neither the legislative body nor the agency is required to comply with Section 33354.6, Article 12 (commencing with Section 33450), or any other provision of this part relating to the amendment of redevelopment plans.

(B) On or after January 1, 2002, a redevelopment plan may be amended by a legislative body by adoption of an ordinance to eliminate the time limit on the establishment of loans, advances, and indebtedness required by this section prior to January 1, 2002. In adopting an ordinance pursuant to this subparagraph, neither the legislative body nor the agency is required to comply with Section 33354.6, Article 12 (commencing with Section 33450), or any other provision of this part relating to the amendment of redevelopment plans, except that the agency shall make the payment to affected taxing entities required by Section 33607.7.

(C) When an agency is required to make a payment pursuant to Section 33681.9, the legislative body may amend the redevelopment plan to extend the time limits required pursuant to subdivisions (a) and (b) by one year by adoption of an ordinance. In adopting an ordinance pursuant to this subparagraph, neither the legislative body nor the agency is required to comply with Section 33354.6 or Article 12 (commencing with Section 33450) or any other provision of this part relating to the amendment of redevelopment plans, including, but not



limited to, the requirement to make the payment to affected taxing entities required by Section 33607.7.

(D) When an agency is required pursuant to Section 33681.12 to make a payment to the county auditor for deposit in the county's Educational Revenue Augmentation Fund created pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code, the legislative body may amend the redevelopment plan to extend the time limits required pursuant to subdivisions (a) and (b) by the following:

(i) One year for each year in which a payment is made, if the time limit for the effectiveness of the redevelopment plan established pursuant to subdivision (a) is 10 years or less from the last day of the fiscal year in which a payment is made.

(ii) One year for each year in which such a payment is made, if both of the following apply:

(I) The time limit for the effectiveness of the redevelopment plan established pursuant to subdivision (a) is more than 10 years but less than 20 years from the last day of the fiscal year in which a payment is made.

(II) The legislative body determines in the ordinance adopting the amendment that, with respect to the project, the following:

(IIa) The agency is in compliance with the requirements of Section 33334.2 or 33334.6, as applicable.

(IIb) The agency has adopted an implementation plan in accordance with the requirements of Section 33490.

(IIc) The agency is in compliance with subdivisions (a) and (b) of Section 33413, to the extent applicable.

(IId) The agency is not subject to sanctions pursuant to subdivision (e) of Section 33334.12 for failure to expend, encumber, or disburse an excess surplus.

(iii) This subparagraph shall not apply to any redevelopment plan if the time limit for the effectiveness of the redevelopment plan established pursuant to subdivision (a) is more than 20 years after the last day of the fiscal year in which such a payment is made.

(3) (A) The legislative body by ordinance may adopt the amendments provided for under this paragraph following a public hearing. Notice of the public hearing shall be mailed to the governing body of each affected taxing entity at least 30 days prior to the public hearing and published in a newspaper of general circulation in the community at least once, not less than 10 days prior to the date of the public hearing. The ordinance shall contain a finding of the legislative body that funds used to make a payment to the county's Educational Revenue Augmentation Fund pursuant to Section 33681.12 would otherwise have been used to pay the costs of projects and activities



necessary to carry out the goals and objectives of the redevelopment plan. In adopting an ordinance pursuant to this paragraph, neither the legislative body nor the agency is required to comply with Section 33354.6, Article 12 (commencing with Section 33450), or any other provision of this part relating to the amendment of redevelopment plans.

(B) The time limit on the establishment of loans, advances, and indebtedness shall be deemed suspended and of no force or effect but only for the purpose of issuing bonds or other indebtedness the proceeds of which are used to make the payments required by Section 33681.12 if the following apply:

(i) The time limit on the establishment of loans, advances, and indebtedness required by this section prior to January 1, 2002, has expired and has not been eliminated pursuant to subparagraph (B).

(ii) The agency is required to make a payment pursuant to Section 33681.12.

(iii) The agency determines that in order to make the payment required by Section 33681.12, it is necessary to issue bonds or incur other indebtedness.

(iv) The proceeds of the bonds issued or indebtedness incurred are used solely for the purpose of making the payments required by Section 33681.12 and related costs.

The suspension of the time limit on the establishment of loans, advances, and indebtedness pursuant to this subparagraph shall not require the agency to make the payment to affected taxing entities required by Section 33607.7.

(4) (A) A time limit on the establishing of loans, advances, and indebtedness to be paid with the proceeds of property taxes received pursuant to Section 33670 to finance in whole or in part the redevelopment project shall not prevent an agency from incurring debt to be paid from the agency's Low and Moderate Income Housing Fund or establishing more debt in order to fulfill the agency's affordable housing obligations, as defined in paragraph (1) of subdivision (a) of Section 33333.8.

(B) A redevelopment plan may be amended by a legislative body to provide that there shall be no time limit on the establishment of loans, advances, and indebtedness paid from the agency's Low and Moderate Income Housing Fund or establishing more debt in order to fulfill the agency's affordable housing obligations, as defined in paragraph (1) of subdivision (a) of Section 33333.8. In adopting such an ordinance, neither the legislative body nor the agency is required to comply with Section 33345.6, Article 12 (commencing with Section 33450), or any other provision of this part relating to the amendment of redevelopment



plans, and the agency shall not make the payment to affected taxing entities required by Section 33607.7.

(f) The limitations established in the ordinance adopted pursuant to this section shall not be applied to limit the allocation of taxes to an agency to the extent required to comply with Section 33333.8. In the event of a conflict between these limitations and the obligations under Section 33333.8, the limitations established in the ordinance shall be suspended pursuant to Section 33333.8.

(g) This section shall not be construed to affect the validity of any bond, indebtedness, or other obligation, including any mitigation agreement entered into pursuant to Section 33401, authorized by the legislative body, or the agency pursuant to this part, prior to January 1, 1994. This section shall not be construed to affect the right of an agency to receive property taxes, pursuant to Section 33670, to pay the bond, indebtedness, or other obligation.

(h) A redevelopment agency shall not pay indebtedness or receive property taxes pursuant to Section 33670, with respect to a redevelopment plan adopted prior to January 1, 1994, after the date identified in subdivision (b) or the date identified in the redevelopment plan, whichever is earlier, except as provided in paragraph (2) of subdivision (e), in subdivision (g), or in Section 33333.8.

(i) The Legislature finds and declares that the amendments made to this section by the act that adds this subdivision are intended to add limitations to the law on and after January 1, 1994, and are not intended to change or express legislative intent with respect to the law prior to that date. It is not the intent of the Legislature to affect the merits of any litigation regarding the ability of a redevelopment agency to sell bonds for a term that exceeds the limit of a redevelopment plan pursuant to law that existed prior to January 1, 1994.

(j) If a redevelopment plan is amended to add territory, the amendment shall contain the time limits required by Section 33333.2.

SEC. 14. Section 33672 of the Health and Safety Code is amended to read:

33672. As used in this article the word “taxes” shall include, but without limitation, all levies on an ad valorem basis upon land or real property. As used in this article, “taxes” shall not include any amounts of money deposited in a Sales and Use Tax Compensation Fund pursuant to Section 97.68 of the Revenue and Taxation Code or a Vehicle License Fee Property Tax Compensation Fund pursuant to Section 97.70 of the Revenue and Taxation Code.

SEC. 15. Section 33681.12 is added to the Health and Safety Code, to read:



33681.12. (a) (1) During the 2004–05 fiscal year, a redevelopment agency shall, prior to May 10, remit an amount equal to the amount determined for that agency pursuant to subparagraph (I) of paragraph (2) to the county auditor for deposit in the county’s Educational Revenue Augmentation Fund created pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code. During the 2005–06 fiscal year, a redevelopment agency shall, prior to May 10, remit an amount equal to the amount determined for that agency pursuant to subparagraph (I) of paragraph (2) to the county auditor for deposit in the county’s Educational Revenue Augmentation Fund created pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code.

(2) For the 2004–05 and 2005–06 fiscal years, on or before November 15, the Director of Finance shall do all of the following:

(A) Determine the net tax increment apportioned to each agency pursuant to Section 33670, excluding any amounts apportioned to affected taxing agencies pursuant to Section 33401, 33607.5, or 33676, in the 2002–03 fiscal year.

(B) Determine the net tax increment apportioned to all agencies pursuant to Section 33670, excluding any amounts apportioned to affected taxing agencies pursuant to Section 33401, 33607.5, or 33676, in the 2002–03 fiscal year.

(C) Determine a percentage factor by dividing one hundred twenty-five million dollars (\$125,000,000) by the amount determined pursuant to subparagraph (B).

(D) Determine an amount for each agency by multiplying the amount determined pursuant to subparagraph (A) by the percentage factor determined pursuant to subparagraph (C).

(E) Determine the total amount of property tax revenue apportioned to each agency pursuant to Section 33670, including any amounts apportioned to affected taxing agencies pursuant to Section 33401, 33607.5, or 33676, in the 2002–03 fiscal year.

(F) Determine the total amount of property tax revenue apportioned to all agencies pursuant to Section 33670, including any amounts apportioned to affected taxing agencies pursuant to Section 33401, 33607.5, or 33676, in the 2002–03 fiscal year.

(G) Determine a percentage factor by dividing one hundred twenty-five million dollars (\$125,000,000) by the amount determined pursuant to subparagraph (F).

(H) Determine an amount for each agency by multiplying the amount determined pursuant to subparagraph (E) by the percentage factor determined pursuant to subparagraph (G).



(I) Add the amount determined pursuant to subparagraph (D) to the amount determined pursuant to subparagraph (H).

(J) Notify each agency and each legislative body of the amount determined pursuant to subparagraph (I).

(K) Notify each county auditor of the amounts determined pursuant to subparagraph (I) for each agency in his or her county.

(3) The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670.

(b) (1) Notwithstanding Sections 33334.2, 33334.3, and 33334.6, and any other provision of law, in order to make the full allocation required by this section, an agency may borrow up to 50 percent of the amount required to be allocated to the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.3, and 33334.6 during the 2004–05 fiscal year and, if applicable, the 2005–06 fiscal year, unless executed contracts exist that would be impaired if the agency reduced the amount allocated to the Low and Moderate Income Housing Fund pursuant to the authority of this subdivision.

(2) As a condition of borrowing pursuant to this subdivision, an agency shall make a finding that there are insufficient other moneys to meet the requirements of subdivision (a). Funds borrowed pursuant to this subdivision shall be repaid in full within 10 years following the date on which moneys are remitted to the county auditor for deposit in the county's Educational Revenue Augmentation Fund pursuant to subdivision (a).

(c) In order to make the allocation required by this section, an agency may use any funds that are legally available and not legally obligated for other uses, including, but not limited to, reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest, and other earned income. No moneys held in a low- and moderate-income fund as of July 1 of the applicable fiscal year may be used for this purpose.

(d) The legislative body shall by March 1 report to the county auditor as to how the agency intends to fund the allocation required by this section, or that the legislative body intends to remit the amount in lieu of the agency pursuant to Section 33681.14.

(e) The allocation obligations imposed by this section, including amounts owed, if any, created under this section, are hereby declared to be an indebtedness of the redevelopment project to which they relate, payable from taxes allocated to the agency pursuant to Section 33670,



and shall constitute an indebtedness of the agency with respect to the redevelopment project until paid in full.

(f) It is the intent of the Legislature, in enacting this section, that these allocations directly or indirectly assist in the financing or refinancing, in whole or in part, of the community's redevelopment project pursuant to Section 16 of Article XVI of the California Constitution.

(g) In making the determinations required by subdivision (a), the Director of Finance shall use those amounts reported as the "Tax Increment Retained by Agency" for all agencies and for each agency in the report of the Controller pursuant to Section 12463.3 of the Government Code for the 2002–03 fiscal year.

(h) If revised reports have been accepted by the Controller on or before September 1, 2005, the Director of Finance shall use appropriate data that has been certified by the Controller for the purpose of making the determinations required by subdivision (a).

SEC. 16. Section 33681.13 is added to the Health and Safety Code, to read:

33681.13. (a) (1) For the purpose of this section, "existing indebtedness" means one or more of the following obligations incurred by a redevelopment agency prior to the effective date of this section, the payment of which is to be made in whole or in part, directly or indirectly, out of taxes allocated to the agency pursuant to Section 33670, and that is required by law or provision of the existing indebtedness to be made during the fiscal year of the relevant allocation required by Section 33681.12.

(A) Bonds, notes, interim certificates, debentures, or other obligations issued by the agency whether funded, refunded, assumed, or otherwise pursuant to Article 5 (commencing with Section 33640).

(B) Loans or moneys advanced to the agency, including, but not limited to, loans from federal, state, or local agencies, or a private entity.

(C) A contractual obligation that, if breached, could subject the agency to damages or other liabilities or remedies.

(D) An obligation incurred pursuant to Section 33445.

(E) Indebtedness incurred pursuant to Section 33334.2.

(F) An amount, to be expended for the operation and administration of the agency, that may not exceed 90 percent of the amount spent for those purposes in the 2002–03 fiscal year.

(G) Obligations imposed by law with respect to activities that occurred prior to the effective date of the act that adds this section.

(2) Existing indebtedness incurred prior to the effective date of this section may be refinanced, refunded, or restructured after that date, and shall remain existing indebtedness for the purposes of this section, if the annual debt service during that fiscal year does not increase over the prior

fiscal year and the refinancing does not reduce the ability of the agency to make the payment required by subdivision (a) of Section 33681.12.

(3) For the purposes of this section, indebtedness shall be deemed to be incurred prior to the effective date of this section if the agency has entered into a binding contract subject to normal marketing conditions, to deliver the indebtedness, or if the redevelopment agency has received bids for the sale of the indebtedness prior to that date and the indebtedness is issued for value and evidence thereof is delivered to the initial purchaser no later than 30 days after the date of the contract or sale.

(b) During the 2004–05 and 2005–06 fiscal years, an agency that has adopted a resolution pursuant to subdivision (c) may, pursuant to subdivision (a) of Section 33681.12, allocate to the auditor less than the amount required by subdivision (a) of Section 33681.12, if the agency finds that either of the following has occurred:

(1) That the difference between the amount allocated to the agency and the amount required by subdivision (a) of Section 33681.12 is necessary to make payments on existing indebtedness that are due or required to be committed, set aside, or reserved by the agency during the applicable fiscal year and that are used by the agency for that purpose, and the agency has no other funds that can be used to pay this existing indebtedness, and no other feasible method to reduce or avoid this indebtedness.

(2) The agency has no other funds to make the allocation required by subdivision (a) of Section 33681.12.

(c) (1) Any agency that, pursuant to subdivision (b), intends to allocate to the auditor less than the amount required by subdivision (a) of Section 33681.12 shall adopt, prior to December 31 of the applicable fiscal year, after a noticed public hearing, a resolution that lists all of the following:

(A) Each existing indebtedness incurred prior to the effective date of this section.

(B) Each indebtedness on which a payment is required to be made during the applicable fiscal year.

(C) The amount of each payment, the time when it is required to be paid, and the total of the payments required to be made during the applicable fiscal year. For indebtedness that bears interest at a variable rate, or for short-term indebtedness that is maturing during the fiscal year and that is expected to be refinanced, the amount of payments during the fiscal year shall be estimated by the agency.

(2) The information contained in the resolution required by this subdivision shall be reviewed for accuracy by the chief fiscal officer of the agency.



(3) The legislative body shall additionally adopt the resolution required by this section.

(d) (1) Any agency that, pursuant to subdivision (b), determines that it will be unable either in the 2004–05 or the 2005–06 fiscal year, to allocate the full amount required by subdivision (a) of Section 33681.12 shall, subject to paragraph (3), enter into an agreement with the legislative body by February 15 of the applicable fiscal year, to fund the payment of the difference between the full amount required to be paid pursuant to subdivision (a) of Section 33681.12 and the amount available for allocation by the agency.

(2) The obligations imposed by paragraph (1) are hereby declared to be indebtedness incurred by the redevelopment agency to finance a portion of a redevelopment project within the meaning of Section 16 of Article XVI of the California Constitution. This indebtedness shall be payable from tax revenues allocated to the agency pursuant to Section 33670, and any other funds received by the agency. The obligations imposed by paragraph (1) shall remain an indebtedness of the agency to the legislative body until paid in full, or until the agency and the legislative body otherwise agree.

(3) The agreement described in paragraph (1) shall be subject to these terms and conditions specified in a written agreement between the legislative body and the agency.

(e) If the agency fails, under either Section 33681.12 or subdivision (d), to transmit the full amount of funds required by Section 33681.12, is precluded by court order from transmitting that amount, or is otherwise unable to meet its full obligation pursuant to Section 33681.12, the county auditor, by no later than May 15 of the applicable fiscal year, shall transfer any amount necessary to meet the obligation determined for that agency in paragraph (1) of subdivision (c) of Section 33681.12 from the legislative body’s allocations pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code.

SEC. 17. Section 33681.14 is added to the Health and Safety Code, to read:

33681.14. (a) In lieu of the remittance required by Section 33681.12, during either the 2004–05 or 2005–06 fiscal year, a legislative body may, prior to May 10 of the applicable fiscal year, remit an amount equal to the amount determined for the agency pursuant to subparagraph (I) of paragraph (2) of subdivision (a) of Section 33681.12 to the county auditor for deposit in the county’s Educational Revenue Augmentation Fund created pursuant to Article 3 (commencing with Section 97) of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code.



(b) The legislative body may make the remittance authorized by this section from any funds that are legally available for this purpose. No moneys held in an agency's Low and Moderate Income Housing Fund shall be used for this purpose.

(c) If the legislative body, pursuant to subdivision (d) of Section 33681.12, reported to the county auditor that it intended to remit the amount in lieu of the agency and the legislative body fails to transmit the full amount as authorized by this section by May 10 of the applicable fiscal year, the county auditor, no later than May 15 of the applicable fiscal year, shall transfer an amount necessary to meet the obligation from the legislative body's allocations pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code. If the amount of the legislative body's allocations are not sufficient to meet this obligation, the county auditor shall transfer an additional amount necessary to meet this obligation from the property tax increment revenue apportioned to the agency pursuant to Section 33670, provided that no moneys allocated to the agency's Low and Moderate Income Housing Fund shall be used for this purpose.

SEC. 18. Section 33683 of the Health and Safety Code is amended to read:

33683. For the purpose of calculating the amount that has been divided and allocated to the redevelopment agency to determine whether the limitation adopted pursuant to Section 33333.2 or 33333.4 or pursuant to agreement or court order has been reached, any payments made pursuant to subdivision (a) of Sections 33681, 33681.5, 33681.7, 33681.9, and 33681.12 or subdivision (d) of Sections 33681.8, 33681.10, 33682, and 33682.5 with property tax revenues shall be deducted from the amount of property tax dollars deemed to have been received by the agency.

SEC. 19. Section 96.81 is added to the Revenue and Taxation Code, to read:

96.81. Notwithstanding any other provision of law, the property tax apportionment factors applied in allocating property tax revenues in a county for which a Controller's audit conducted under Section 12468 of the Government Code between July 1, 1993, and June 30, 2001, determined that an allocation method was required to be adjusted and a reallocation was required for prior fiscal years, are deemed to be correct. However, for the 2001-02 fiscal year and each fiscal year thereafter, property tax apportionment factors applied in allocating property tax revenues in a county described in the preceding sentence shall be determined on the basis of property tax apportionment factors for prior fiscal years that have been fully corrected and adjusted, pursuant to the



review and recommendation of the Controller, as would be required in the absence of the preceding sentence.

SEC. 20. Section 97.31 of the Revenue and Taxation Code is amended to read:

97.31. (a) (1) The Director of Finance shall direct the county auditor to reduce, in the 1993–94 fiscal year, the amount of the transfer to the Educational Revenue Augmentation Fund determined pursuant to subdivision (a) of Section 97.3 for any eligible county in accordance with subdivision (b) of this section, and also shall direct the county auditor to reduce, in the 1993–94 fiscal year, the amount of that transfer for certain counties in accordance with subdivision (c). The total amount of the reductions for all counties made for the 1993–94 fiscal year pursuant to subdivision (b) shall not exceed two million dollars (\$2,000,000). For the 1994–95 fiscal year and each fiscal year thereafter, ad valorem property tax revenue allocations made pursuant to subdivision (a) of Section 96.1 shall fully incorporate the adjustments required by this section.

(2) For purposes of this section, an “eligible county” is a county with a population of less than 350,000, as reported in the 1990 federal census that had a fire element of the tax bill in 1977–78, that continues to fund some portion of those costs from the county general fund in 1993–94, and that provides these services in the same manner as a special district less than countywide and has so indicated in the Controller’s Report on Financial Transactions Concerning Counties.

(b) (1) For each eligible county, the county auditor may submit the following information to the Director of Finance not later than November 1, 1993:

(A) The amount of property tax allocated to the county fire district in the 1977–78 fiscal year.

(B) The amount allocated from the county budget to the county fire district in the 1978–79 fiscal year.

(C) The amount of property tax reduction for the county fire district attributable to the passage of Article XIII A of the California Constitution by the voters in the primary election in June 1978.

(D) The amount of money allocated from the county budget to the county fire district in the 1993–94 fiscal year.

(E) The amount allocated to the county fire district from the Special District Augmentation Fund in the 1992–93 fiscal year.

(2) For each eligible county that submits to the Director of Finance by November 1, 1993, the information described in paragraph (1), the Director of Finance shall make the following calculations:

(A) Multiply the amount of property tax allocated to the county fire district in the 1977–78 fiscal year by the change in the value of the



property tax base for the county from the 1977–78 fiscal year to the 1978–79 fiscal year.

(B) Subtract the amount reported pursuant to subparagraph (C) of paragraph (1) from the amount determined pursuant to subparagraph (A).

(C) Multiply the amount determined pursuant to subparagraph (B) by an amount determined by the Director of Finance to be the change in assessed value for the county from the 1978–79 fiscal year to the 1993–94 fiscal year.

(D) Multiply the amount reported pursuant to subparagraph (E) of paragraph (1) by 1.038.

(E) Add the amount determined pursuant to subparagraph (C) to the amount determined pursuant to subparagraph (D).

(F) Subtract the amount determined pursuant to subparagraph (E) from the amount reported pursuant to subparagraph (D) of paragraph (1).

(3) The Director of Finance shall determine the sum of all the amounts determined pursuant to subparagraph (F) of paragraph (2).

(4) If the sum determined pursuant to paragraph (3) is greater than two million dollars (\$2,000,000), then the Director of Finance shall proportionately reduce the amount for each county so that the total of the amounts for all counties does not exceed two million dollars (\$2,000,000). If the sum determined pursuant to subdivision (e) does not exceed two million dollars (\$2,000,000), then the Director of Finance shall not reduce the amount determined for each county.

(5) The Director of Finance shall by January 15, 1994, notify each county of its reduction in the amount to be transferred to the Educational Revenue Augmentation Fund pursuant to subdivision (a) of Section 97.3. The maximum amount of the reduction that may be authorized pursuant to this subdivision is one-half the amount determined pursuant to subparagraph (F) of paragraph (2).

(c) The amount to be transferred from a county to an Educational Revenue Augmentation Fund pursuant to subdivision (a) of Section 97.3 shall be reduced by one hundred thousand dollars (\$100,000) for the County of Madera and by two hundred thousand dollars (\$200,000) for the County of Tulare.

SEC. 20.5. Section 97.68 of the Revenue and Taxation Code is amended to read:

97.68. Notwithstanding any other provision of law, in allocating ad valorem property tax revenue allocations for each fiscal year during the fiscal adjustment period, all of the following apply:

(a) (1) The total amount of ad valorem property tax revenue otherwise required to be allocated to a county's Educational Revenue



Augmentation Fund shall be reduced by the countywide adjustment amount.

(2) The countywide adjustment amount shall be deposited in a Sales and Use Tax Compensation Fund that shall be established in the treasury of each county.

(b) For purposes of this section, the following definitions apply:

(1) “Fiscal adjustment period” means the period beginning with the 2004–05 fiscal year and continuing through the fiscal year in which the Director of Finance notifies the State Board of Equalization pursuant to subdivision (b) of Section 99006 of the Government Code.

(2) Except as otherwise provided in subdivision (d), the “countywide adjustment amount” means the combined total revenue loss of the county and each city in the county that is annually estimated by the Director of Finance, based upon the actual amount of sales and use tax revenues transmitted under Section 7204 in that county in the prior fiscal year and any projected growth on that amount for the current fiscal year as determined by the State Board of Equalization and reported to the director on or before August 15 of each fiscal year during the fiscal adjustment period, to result for each of those fiscal years from the 0.25 percent reduction in local sales and use rate tax authority applied by Section 7203.1. The director shall adjust the estimates described in this paragraph if the board reports to him or her any changes in the projected growth in local sales and use tax revenues for the current fiscal year.

(3) “In lieu local sales and use tax revenues” means those revenues that are transferred under this section to a county or a city from a Sales and Use Tax Compensation Fund or an Educational Revenue Augmentation Fund.

(c) Except as otherwise provided in subdivision (d), for each fiscal year during the fiscal adjustment period, in lieu sales and use tax revenues in the Sales and Use Tax Compensation Fund shall be allocated among the county and the cities in the county, and those allocations shall be subsequently adjusted, as follows:

(1) The Director of Finance shall, on or before September 1 of each fiscal year during the fiscal adjustment period, notify each county auditor of that portion of the countywide adjustment amount for that fiscal year that is attributable to the county and to each city within that county.

(2) The county auditor shall allocate revenues in the Sales and Use Tax Compensation Fund among the county and cities in the county in the amounts described in paragraph (1). The auditor shall allocate one-half of the amount described in paragraph (1) in each January during the fiscal adjustment period and shall allocate the balance of that amount in each May during the fiscal adjustment period.



(3) After the end of each fiscal year during the fiscal adjustment period, other than a fiscal year subject to subdivision (d), the Director of Finance shall, based on the actual amount of sales and use tax revenues that were not transmitted for the prior fiscal year, recalculate each amount estimated under paragraph (1) and notify the county auditor of the recalculated amount.

(4) If the amount recalculated under paragraph (3) for the county or any city in the county is greater than the amount allocated to that local agency under paragraph (2), the county auditor shall, in the fiscal year next following the fiscal year for which the allocation was made, transfer an amount of ad valorem property tax revenue equal to this difference from the Sales and Use Tax Compensation Fund to that local agency.

(5) If the amount recalculated under paragraph (3) for the county or any city in the county is less than the amount allocated to that local agency under paragraph (2), the county auditor shall, in the fiscal year next following the fiscal year for which the allocation was made, reduce the total amount of ad valorem property tax revenue otherwise allocated to that city or county from the Sales and Use Tax Compensation Fund by an amount equal to this difference and instead allocate this difference to the county Educational Revenue Augmentation Fund.

(6) If there is an insufficient amount of moneys in a county's Sales and Use Tax Compensation Fund to make the transfers required by paragraph (4), the county auditor shall transfer from the county Educational Revenue Augmentation Fund an amount sufficient to make the full amount of these transfers.

(d) Notwithstanding any other provision of this section, when Section 7203.1 ceases to be operative, all of the following apply:

(1) If Section 7203.1 ceases to be operative on an October 1 of a fiscal year during the fiscal adjustment period, all of the following apply:

(A) The "countywide adjustment amount" for that fiscal year means an amount equal to sum of the following two amounts:

(i) The combined total revenue loss of the county and each city in the county that is estimated by the director, based upon actual sales and use tax revenues transmitted under Section 7204 for the first quarter of the prior fiscal year as determined by the State Board of Equalization and reported to the director on or before that August 15, to result for the first quarter of the current fiscal year from the 0.25 percent reduction in local sales and use tax rate authority applied by Section 7203.1.

(ii) The difference between the following two amounts:

(I) The total amount that was allocated to the county and each city in the county under subdivision (c) for the prior fiscal year.

(II) The actual total amount of local sales and use tax revenue that was not transmitted the county or city and county and each city in the county



for the prior fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1.

(B) On or before January 31 of that fiscal year, the auditor shall allocate to the county and each city in the county that portion of the countywide adjustment amount for that fiscal year that is attributable to the county and each city in the county.

(C) On or before May 1 of that fiscal year, the State Board of Equalization shall report to the director the actual total amount of local sales and use tax revenue that was not transmitted to the county and each city in the county in that fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1. On or before May 1 of that fiscal year, the director shall do both of the following:

(i) Determine the difference between the following two amounts:

(I) The amount specified in clause (i) of subparagraph (A) that was allocated to the county and each city in the county for that fiscal year under subparagraph (B).

(II) The actual total amount of local sales and use tax revenue that was not transmitted to the county and each city in the county for that fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1.

(ii) Notify the auditor of each county of the amounts determined under clause (i) for his or her county and all of the cities in that county.

(D) (i) If, for any county or city, the amount described in subclause (I) of clause (i) of subparagraph (C) is greater than the amount described in subclause (II) of clause (i) of subparagraph (C), the county auditor shall, on or before May 31 of that fiscal year, reallocate from the entity to the county Educational Revenue Augmentation Fund the difference between those amounts.

(ii) If, for any county or city, the amount described in subclause (I) of clause (i) of subparagraph (C) is less than the amount described in subclause (II) of clause (i) of subparagraph (C), the county auditor shall, on or before May 31 of that fiscal year, reallocate from the county Educational Revenue Augmentation Fund to that entity the difference between those amounts.

(2) If Section 7203.1 ceases to be operative on a January 1 of a fiscal year during the fiscal adjustment period, all of the following apply:

(A) The “countywide adjustment amount” for that fiscal year means an amount equal to the sum of the following two amounts:

(i) The combined total revenue loss of the county and each city in the county that is estimated by the director, based upon actual sales and use tax revenues transmitted under Section 7204 for the first and second quarters of the prior fiscal year as determined by the State Board of



Equalization and reported to the director on or before that August 15, to result for the first and second quarters of that fiscal year from the 0.25 percent reduction in local sales and use tax rate authority applied by Section 7203.1.

(ii) The difference between the following two amounts:

(I) The total amount that was allocated to the county and each city in the county under subdivision (c) for the prior fiscal year.

(II) The actual total amount of local sales and use tax revenue that was not transmitted to the county and each city in the county for the prior fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1.

(B) The auditor shall allocate to the county and each city in the county that portion of the countywide adjustment amount for that fiscal year that is attributable to the county and each city in the county. One-half of this amount shall be allocated on or before January 31 of that fiscal year and the other one-half of that amount shall be allocated on or before May 31 of that fiscal year.

(C) On or before June 30 of that fiscal year, the State Board of Equalization shall report to the director the actual total amount of local sales and use tax revenue that was not transmitted to the county and each city in the county for that fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1. On or before June 30 of that fiscal year, the director shall do both of the following:

(i) Determine the difference between the following two amounts:

(I) The amount specified in clause (i) of subparagraph (A) that was allocated to the county and each city in the county for that fiscal year under subparagraph (B).

(II) The actual total amount of local sales and use tax revenue that was not transmitted to the county and each city in the county for that fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1.

(ii) Notify the auditor of each county of the amounts determined under clause (i) for his or her county and all of the cities in that county.

(D) (i) If, for any county or city, the amount described in subclause (I) of clause (i) of subparagraph (C) is greater than the amount described in subclause (II) of clause (i) of subparagraph (C), the county auditor shall, on or before January 31 of the following fiscal year, reallocate from the entity to the county Educational Revenue Augmentation Fund the difference between those amounts.

(ii) If, for any county or city, the amount described in subclause (I) of clause (i) of subparagraph (C) is less than the amount described in subclause (II) of clause (i) of subparagraph (C), the county auditor shall,



on or before January 31 of the following fiscal year, reallocate from the county Educational Revenue Augmentation Fund to that entity the difference between those amounts.

(3) If Section 7203.1 ceases to be operative on an April 1 of a fiscal year during the fiscal adjustment period, all of the following apply:

(A) On or before May 1 of that fiscal year, the director shall determine and report to the auditor of each county that portion of the countywide adjustment amount that is attributable to the estimated sales and use tax revenue losses, resulting from the rate suspension applied by Section 7203.1, for the fourth quarter of that fiscal year for the county and each city in the county.

(B) The auditor shall reduce the total amount that is otherwise required to be allocated in May of that fiscal year from the county Sales and Use Tax Compensation Fund to the county and each city in the county by the amount reported by the director with respect to that entity under subparagraph (A). After the May allocations have been made, the auditor shall transfer any moneys remaining in the county Sales and Use Tax Compensation Fund to the county Educational Revenue Augmentation Fund.

(C) On or before January 1 of the next fiscal year, the State Board of Equalization shall report to the director the actual total amount of local sales and use tax revenue that was not transmitted to the county and each city in the county for the prior fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1. On or before January 1 of that fiscal year, the director shall do both of the following:

(i) Determine the difference between the following two amounts:

(I) The total amount that was allocated to the county and each city in the county for the prior fiscal year under subdivision (c), as adjusted under subparagraph (B).

(II) The actual total amount of local sales and use tax revenue that was not transmitted to the county and each city in the county for the prior fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1.

(ii) Notify the auditor of each county of the amounts determined under clause (i) for his or her county and all of the cities in that county.

(D) (i) If, for any county or city, the amount described in subclause (I) of clause (i) of subparagraph (C) is greater than the amount described in subclause (II) of clause (i) of subparagraph (C), the county auditor shall, on or before January 31 of that fiscal year, reallocate from the entity to the county Educational Revenue Augmentation Fund the difference between those amounts.



(ii) If, for any county or city, the amount described in subclause (I) of clause (i) of subparagraph (C) is less than the amount described in subclause (II) of clause (i) of subparagraph (C), the county auditor shall, on or before January 31 of the following fiscal year, reallocate from the county Educational Revenue Augmentation Fund to that entity the difference between those amounts.

(4) If Section 7203.1 ceases to be operative on a July 1, all of the following apply:

(A) On or before January 1 of that fiscal year, the State Board of Equalization shall notify the Director of Finance of the actual total amount of local sales and use tax revenue that was not transmitted to each county and city for the prior fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1.

(B) On or before January 31 of that fiscal year, the director shall do both of the following:

(i) Determine for each city, county, and city and county, the difference between the following two amounts:

(I) The total amount that was allocated to that entity under subdivision (c) for the prior fiscal year.

(II) The actual total amount of local sales and use tax revenue that was not transmitted to the entity for the prior fiscal year as a result of the 0.25 percent suspension of local sales and use tax authority applied by Section 7203.1.

(ii) Notify the auditor of each county of the amounts determined under clause (i) for his or her county and all of the cities in that county.

(C) (i) If, for any county or city, the amount described in subclause (I) of clause (i) of subparagraph (B) is greater than the amount described in subclause (II) of clause (i) of subparagraph (B), the county auditor shall, on or before January 31 of that fiscal year, reallocate from the entity to the county Educational Revenue Augmentation Fund the difference between those amounts.

(ii) If, for any county or city, the amount described in subclause (I) of clause (i) of subparagraph (B) is less than the amount described in subclause (II) of clause (i) of subparagraph (B), the county auditor shall, on or before January 31 of the following fiscal year, reallocate from the county Educational Revenue Augmentation Fund to that entity the difference between those amounts.

(e) For the 2005–06 fiscal year and each fiscal year thereafter, the amounts determined under subdivision (a) of Section 96.1, or any successor to that provision, may not reflect any portion of any property tax revenue allocation required by this section for a preceding fiscal year.

(f) This section may not be construed to do any of the following:



(1) Reduce any allocations of excess, additional, or remaining funds that would otherwise have been allocated to cities, counties, cities and counties, or special districts pursuant to clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.2, clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.3, or Article 4 (commencing with Section 98), had this section not been enacted. The allocation made pursuant to subdivisions (a) and (c) shall be adjusted to comply with this paragraph.

(2) Require an increased ad valorem property tax revenue allocation to a community redevelopment agency.

(3) Alter the manner in which ad valorem property tax revenue growth from fiscal year to fiscal year is determined or allocated in a county.

(g) Existing tax exchange or revenue sharing agreements, entered into prior to the operative date of this section, between local agencies or between local agencies and nonlocal agencies shall be deemed to be temporarily modified to account for the reduced sales and use tax revenues, resulting from the temporary reduction in the local sales and use tax rate, with those reduced revenues to be replaced in kind by property tax revenue from a Sales and Use Tax Compensation Fund or an Educational Revenue Augmentation Fund, on a temporary basis, as provided by this section.

SEC. 21. Section 97.70 is added to the Revenue and Taxation Code, to read:

97.70. Notwithstanding any other provision of law, for the 2004–05 fiscal year and for each fiscal year thereafter, all of the following apply:

(a) (1) (A) The auditor shall reduce the total amount of ad valorem property tax revenue that is otherwise required to be allocated to a county’s Educational Revenue Augmentation Fund by the countywide vehicle license fee adjustment amount.

(B) If, for the fiscal year, after complying with Section 97.68 there is not enough ad valorem property tax revenue that is otherwise required to be allocated to a county Educational Revenue Augmentation Fund for the auditor to complete the allocation reduction required by subparagraph (A), the auditor shall additionally reduce the total amount of ad valorem property tax revenue that is otherwise required to be allocated to all school districts and community college districts in the county for that fiscal year by an amount equal to the difference between the countywide vehicle license fee adjustment amount and the amount of ad valorem property tax revenue that is otherwise required to be allocated to the county Educational Revenue Augmentation Fund for that fiscal year. This reduction for each school district and community college district in the county shall be the percentage share of the total



reduction that is equal to the proportion that the total amount of ad valorem property tax revenue that is otherwise required to be allocated to the school district or community college district bears to the total amount of ad valorem property tax revenue that is otherwise required to be allocated to all school districts and community college districts in a county. For purposes of this subparagraph, “school districts” and “community college districts” do not include any districts that are excess tax school entities, as defined in Section 95.

(2) The countywide vehicle license fee adjustment amount shall be allocated to the Vehicle License Fee Property Tax Compensation Fund that shall be established in the treasury of each county.

(b) (1) The auditor shall allocate moneys in the Vehicle License Fee Property Tax Compensation Fund according to the following:

(A) Each city in the county shall receive its vehicle license fee adjustment amount.

(B) Each county and city and county shall receive its vehicle license fee adjustment amount.

(2) The auditor shall allocate one-half of the amount specified in paragraph (1) on or before January 31 of each fiscal year, and the other one-half on or before May 31 of each fiscal year.

(c) For purposes of this section, all of the following apply:

(1) “Vehicle license fee adjustment amount” for a particular city, county, or a city and county means, subject to an adjustment under paragraph (2) and Section 97.71, all of the following:

(A) For the 2004–05 fiscal year, an amount equal to the difference between the following two amounts:

(i) The estimated total amount of revenue that would have been deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund, including any amounts that would have been certified to the Controller by the auditor of the County of Ventura under subdivision (j) of Section 98.02, as that section read on January 1, 2004, for distribution under the law in effect on January 1, 2004, to the county, city and county, or city for the 2004–05 fiscal year if the fee otherwise due under the Vehicle License Fee Law (Pt. 5 (commencing with Section 10701) of Div. 2) was 2 percent of the market value of a vehicle, as specified in Section 10752 and 10752.1 as those Sections read on January 1, 2004.

(ii) The estimated total amount of revenue that is required to be distributed from the Motor Vehicle License Fee Account in the Transportation Tax Fund to the county, city and county, and each city in the county for the 2004–05 fiscal year under Section 11005, as that section read on the operative date of this section.



(B) (i) Subject to an adjustment under clause (ii), for the 2005–06 fiscal year, the sum of the following two amounts:

(I) The difference between the following two amounts:

(Ia) The actual total amount of revenue that would have been deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund, including any amounts that would have been certified to the Controller by the auditor of the County of Ventura under subdivision (j) of Section 98.02, as that section read on January 1, 2004, for distribution under the law in effect on January 1, 2004, to the county, city and county, or city for the 2004–05 fiscal year if the fee otherwise due under the Vehicle License Fee Law (Part 5 (commencing with Section 10701) of Division 2) was 2 percent of the market value of a vehicle, as specified in Sections 10752 and 10752.1 as those sections read on January 1, 2004.

(Ib) The actual total amount of revenue that was distributed from the Motor Vehicle License Fee Account in the Transportation Tax Fund to the county, city and county, and each city in the county for the 2004–05 fiscal year under Section 11005, as that section read on the operative date of this section.

(II) The product of the following two amounts:

(IIa) The amount described in clause (i).

(IIb) The percentage change from the prior fiscal year to the current fiscal year in gross taxable assessed valuation within the jurisdiction of the entity, as reflected in the equalized assessment roll for those fiscal years. For the first fiscal year for which a change in a city’s jurisdictional boundaries first applies, the percentage change in gross taxable assessed valuation from the prior fiscal year to the current fiscal year shall be calculated solely on the basis of the city’s previous jurisdictional boundaries, without regard to the change in that city’s jurisdictional boundaries. For each following fiscal year, the percentage change in gross taxable assessed valuation from the prior fiscal year to the current fiscal year shall be calculated on the basis of the city’s current jurisdictional boundaries.

(ii) The amount described in clause (i) shall be adjusted as follows:

(I) If the amount described in subclause (I) of clause (i) for a particular city, county, or city and county is greater than the amount described in subparagraph (A) for that city, county, or city and county, the amount described in clause (i) shall be increased by an amount equal to this difference.

(II) If the amount described in subclause (I) of clause (i) for a particular city, county, or city and county is less than the amount described in subparagraph (A) for that city, county, or city and county,



the amount described in clause (i) shall be decreased by an amount equal to this difference.

(C) For the 2006–07 fiscal year and for each fiscal year thereafter, the sum of the following two amounts:

(i) The vehicle license fee adjustment amount for the prior fiscal year, if Section 97.71 and clause (ii) of subparagraph (B) did not apply for that fiscal year, for that city, county, and city and county.

(ii) The product of the following two amounts:

(I) The amount described in clause (i).

(II) The percentage change from the prior fiscal year to the current fiscal year in gross taxable assessed valuation within the jurisdiction of the entity, as reflected in the equalized assessment roll for those fiscal years. For the first fiscal year for which a change in a city’s jurisdictional boundaries first applies, the percentage change in gross taxable assessed valuation from the prior fiscal year to the current fiscal year shall be calculated solely on the basis of the city’s previous jurisdictional boundaries, without regard to the change in that city’s jurisdictional boundaries. For each following fiscal year, the percentage change in gross taxable assessed valuation from the prior fiscal year to the current fiscal year shall be calculated on the basis of the city’s current jurisdictional boundaries.

(2) The amount determined under paragraph (1) for the County of Orange for a particular fiscal year shall be reduced by the amount that was allocated, if any, to that county under Sections 11001.5 and 11005 for the service of indebtedness for that fiscal year.

(3) “Countywide vehicle license fee adjustment amount” means, for any fiscal year, the total sum of the amounts described in paragraph (1) for a county or city and county, and each city in the county.

(4) On or before June 30 of each fiscal year, the auditor shall report to the Controller the vehicle license fee adjustment amount for the county and each city in the county for that fiscal year.

(d) For the 2005–06 fiscal year and each fiscal year thereafter, the amounts determined under subdivision (a) of Section 96.1, or any successor to that provision, shall not reflect, for a preceding fiscal year, any portion of any allocation required by this section.

(e) For purposes of Section 15 of Article XI of the California Constitution, the allocations from a Vehicle License Fee Property Tax Compensation Fund constitute successor taxes that are otherwise required to be allocated to counties and cities, and as successor taxes, the obligation to make those transfers as required by this section shall not be extinguished nor disregarded in any manner that adversely affects the security of, or the ability of, a county or city to pay the principal and



interest on any debts or obligations that were funded or secured by that city's or county's allocated share of motor vehicle license fee revenues.

(f) This section shall not be construed to do any of the following:

(1) Reduce any allocations of excess, additional, or remaining funds that would otherwise have been allocated to county superintendents of schools, cities, counties, and cities and counties pursuant to clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Sections 97.2 and 97.3 or Article 4 (commencing with Section 98) had this section not been enacted. The allocations required by this section shall be adjusted to comply with this paragraph.

(2) Require an increased ad valorem property tax revenue allocation or increased tax increment allocation to a community redevelopment agency.

(3) Alter the manner in which ad valorem property tax revenue growth from fiscal year to fiscal year is otherwise determined or allocated in a county.

(4) Reduce ad valorem property tax revenue allocations required under Article 4 (commencing with Section 98).

(g) Tax exchange or revenue sharing agreements, entered into prior to the operative date of this section, between local agencies or between local agencies and nonlocal agencies are deemed to be modified to account for the reduced vehicle license fee revenues resulting from the act that added this section. These agreements are modified in that these reduced revenues are, in kind and in lieu thereof, replaced with ad valorem property tax revenue from a Vehicle License Fee Property Tax Compensation Fund or an Educational Revenue Augmentation Fund.

SEC. 22. Section 97.71 is added to the Revenue and Taxation Code, to read:

97.71. Notwithstanding any other provision of law, for each of the 2004–05 and 2005–06 fiscal years, all of the following apply:

(a) (1) The total amount of revenue required to be allocated to each county and each city and county under Section 97.70 shall be reduced by the dollar amount indicated as follows:

	Property Tax Reduction per County
Alameda	\$ 14,993,115
Alpine	13,578
Amador	341,856
Butte	1,968,640
Calaveras	367,372



Colusa	227,244
Contra Costa	9,266,091
Del Norte	260,620
El Dorado	1,465,981
Fresno	7,778,611
Glenn	302,192
Humboldt	1,433,725
Imperial	1,499,081
Inyo	188,370
Kern	6,684,032
Kings	1,409,501
Lake	531,524
Lassen	317,119
Los Angeles	103,217,625
Madera	1,164,287
Marin	2,369,777
Mariposa	177,419
Mendocino	997,570
Merced	2,211,012
Modoc	119,325
Mono	92,964
Monterey	3,789,991
Napa	1,128,692
Nevada	503,547
Orange	27,730,861
Placer	2,219,818
Plumas	238,066
Riverside	14,161,003
Sacramento	12,232,737
San Benito	477,872
San Bernardino	16,361,855
San Diego	27,470,228
San Francisco	15,567,648
San Joaquin	6,075,964
San Luis Obispo	2,350,289
San Mateo	6,704,877
Santa Barbara	3,894,357
Santa Clara	17,155,293
Santa Cruz	2,433,423



Shasta	1,592,267
Sierra	37,051
Siskiyou	496,974
Solano	3,796,251
Sonoma	4,439,389
Stanislaus	4,516,707
Sutter	764,351
Tehama	618,393
Trinity	104,770
Tulare	3,781,964
Tuolumne	515,961
Ventura	7,085,556
Yolo	1,735,079
Yuba	620,137

(2) The total amount of reductions for all counties and cities and counties determined pursuant to this subdivision is three hundred fifty million dollars (\$350,000,000) for the 2004–05 fiscal year and that same amount for the 2005–06 fiscal year.

(b) (1) (A) The total amount of revenue required to be allocated to each city and each city and county under Section 97.70 shall be reduced by the sum of the following three amounts:

(i) The product of the following two amounts:

(I) The percentage represented by the following fraction:

(Ia) The numerator is the total amount of money allocated to the city or city and county from the Motor Vehicle License Fee Account in the Transportation Tax Fund for the 2002–03 fiscal year, as reported in the 2002–03 edition of the State Controller’s Cities Annual Report.

(Ib) The denominator is the total amount of money allocated among all cities and cities and counties from the Motor Vehicle License Fee Account in the Transportation Tax Fund for the 2002–03 fiscal year, as reported in the 2002–03 edition of the State Controller’s Cities Annual Report.

(II) The product of the following two amounts:

(IIa) Thirty-three and one-third percent.

(IIb) Three hundred fifty million dollars (\$350,000,000).

(ii) The product of the following two amounts:

(I) The percentage represented by the following fraction:

(Ia) The numerator is the total amount of money transmitted to the city or city and county under Section 7204 for the 2002–03 fiscal year, as reported in the 2002–03 edition of the State Controller’s Cities Annual Report.



(Ib) The denominator is the total amount of money transmitted to all cities and cities and counties under Section 7204 for the 2002–03 fiscal year, as reported in the 2002–03 edition of the State Controller’s Cities Annual Report.

(II) The product of the following two amounts:

(IIa) Thirty-three and one-third percent.

(IIb) Three hundred fifty million dollars (\$350,000,000).

(iii) The product of the following two amounts:

(I) The percentage represented by the following fraction:

(Ia) The numerator is the total amount of ad valorem property tax revenue allocated to the city or city and county for the 2001–02 fiscal year, as reported in the 2002–03 edition of the State Controller’s Cities Annual Report.

(Ib) The denominator is the total amount of ad valorem property tax revenue allocated among all cities and cities and counties for the 2002–03 fiscal year, as reported in the 2002–03 edition of the State Controller’s Cities Annual Report.

(II) The product of the following two amounts:

(IIa) Thirty-three and one-third percent.

(IIb) Three hundred fifty million dollars (\$350,000,000).

(B) Notwithstanding subparagraph (A), the reduction required by this paragraph for any city or city and county shall not be less than 2 percent, nor more than 4 percent, of the general revenues of the city or city and county, as reported in the 2001–02 edition of the State Controller’s Cities Annual Report. If the amount determined for a city or city and county under subparagraph (A) exceeds 4 percent of the general revenues of the city or city and county, as reported in the 2001–02 edition of the State Controller’s Cities Annual Report, the amount of that excess shall be allocated among the reductions required for all other cities and cities and counties in percentage shares corresponding to those reduction amounts.

(C) On or before September 15, 2004, the Controller shall notify the auditor of each county and city and county of the reductions required by this subdivision.

(2) The total amount of reductions for all cities and cities and counties determined pursuant to this subdivision shall be three hundred fifty million dollars (\$350,000,000) for the 2004–05 fiscal year and that same amount for the 2005–06 fiscal year.

(3) (A) In lieu of a reduction under paragraph (1), a city may transmit to the county auditor for deposit in the county Educational Revenue Augmentation Fund an amount equal to that reduction. For the 2004–05 fiscal year, if the county auditor does not receive a payment under this paragraph from a city on or before October 1, 2004, the auditor shall make the reduction required by paragraph (1). For the 2005–06 fiscal

year, if the county auditor does not receive a payment under this paragraph from a city on or before October 1, 2005, the auditor shall make the reduction required by paragraph (1).

(B) Notwithstanding any other provision of law, to make the transmittals authorized by this paragraph, a city may use any funds or revenues, the use of which is not restricted by federal law or the California Constitution.

(4) (A) Notwithstanding any other provision of law, a city that has established a reserve for subsidence contingencies may, for the 2004–05 and 2005–06 fiscal years only, retain interest earned on that reserve for the previous calendar year in an amount not to exceed the amount of the reduction for that city required by this subdivision.

(B) The Legislature finds and declares that the amounts retained by a city pursuant to subparagraph (A) are in excess of trust needs and are free from the public trust for navigation, commerce, fisheries, and any other trust uses and restrictions.

(C) A city that has retained an amount under subparagraph (A) shall, beginning with the 2006–07 fiscal year, repay to the reserve for subsidence contingencies that amount so retained. The repayment shall be made in annual increments, which increments shall not be less than five hundred thousand dollars (\$500,000), until the amount retained by the city has been repaid. Those amounts repaid to the reserve for subsidence contingencies are subject to the public trust and shall be used only for the purposes prescribed by law for the reserve.

(c) That amount of revenue that is not allocated to a county, city and county, or a city as a result of subdivisions (a) and (b), and that amount that is received by the county auditor under paragraph (3) of subdivision (b), shall be deposited in the county Educational Revenue Augmentation Fund and shall be allocated as specified in subdivision (d) of Section 97.3.

(d) For the 2005–06 fiscal year and each fiscal year thereafter, the amounts determined under subdivision (a) of Section 96.1, or any successor to that provision, shall not reflect, for a preceding fiscal year, any portion of any allocation required by this section.

SEC. 23. Section 97.72 is added to the Revenue and Taxation Code, to read:

97.72. Notwithstanding any other provision of law, for each of the 2004–05 and 2005–06 fiscal years, all of the following apply:

(a) (1) (A) (i) Except as otherwise provided in clauses (ii) and (iii), the total amount of ad valorem property tax revenue, other than these revenues that are pledged to debt service, deemed allocated for the prior fiscal year to each enterprise special district shall be reduced by the lesser of the following:



(I) Forty percent.

(II) An amount equal to 10 percent of that district's total revenues, from whatever source.

(ii) The total amount of ad valorem property tax revenue deemed allocated for the prior fiscal year to each enterprise special district that is a transit district shall be reduced by 3 percent.

(iii) The total amount of ad valorem property tax revenue deemed allocated for the prior fiscal year to an enterprise special district that also performs, as reported in the 2000–01 edition of the State Controller's Special Districts Annual Report, nonenterprise functions other than fire protection or police protection shall be reduced as follows:

(I) That amount allocated to the district's enterprise functions, as reported in the 2000–01 edition of the State Controller's Special Districts Annual Report, shall be reduced by 40 percent.

(II) That amount allocated to the district's nonenterprise functions, as reported in the 2000–01 edition of the State Controller's Special Districts Annual Report, shall be reduced by 10 percent.

(B) If an enterprise special district is located in more than one county, the auditor of each county in which that enterprise special district is located shall implement that portion of the total reduction, required by subparagraph (A) with respect to that district, determined by the ratio of the amount of ad valorem property tax revenue allocated to that district from the county to the total amount of ad valorem property tax revenue allocated to that district from all counties.

(2) (A) The Controller shall, on or before November 12, 2004, and on or before November 12, 2005, notify the auditor of each county and city and county of the amount of the ad valorem property tax revenue reduction required by paragraph (1) for each enterprise special district in the county. The Controller shall certify that the calculation of the ad valorem property tax revenue reduction for each enterprise special district within each county is accurate and correct, and submit this information to the Director of Finance.

(B) The Director of Finance shall determine whether the amount of ad valorem property tax revenue reductions under this section and Section 97.73, as certified by the Controller, is equal to the amount that would be required to be allocated to the Educational Revenue Augmentation Fund as a result of a three hundred fifty million dollar (\$350,000,000) shift of ad valorem property tax revenues under those sections for each of the 2004–05 and 2005–06 fiscal years. If, for either fiscal year, the total of the amount of these reductions is less than the amount described in the preceding sentence, the total amount of ad valorem property tax revenue allocated to each enterprise special district, other than an enterprise special district that is a transit district,



shall be reduced by that district's proportionate share of the difference, but not to exceed an amount equal to 10 percent of that district's revenue from whatever source. The Director of Finance shall notify each county auditor of any allocation reduction required by this subparagraph.

(b) That amount of ad valorem property tax revenue that is not allocated to an enterprise special district as a result of subdivision (a) shall instead be deposited in the county Educational Revenue Augmentation Fund and shall be allocated as specified in subdivision (d) of Section 97.3.

(c) For purposes of this section, all of the following apply:

(1) "Enterprise special district" means a special district that performs, as reported in the 2000–01 edition of the State Controller's Special Districts Annual Report, an enterprise function. "Enterprise special district" does not include a fire protection district that was formed under the Shade Tree Law of 1909 set forth in Article 2 (commencing with Section 25620) of Chapter 7 of Division 2 of Title 3 of the Government Code, a local health care district as described in Division 23 (commencing with Section 32000) of the Health and Safety Code, or a qualified special district as defined in Section 97.34.

(2) With respect to an enterprise special district that also performs, as reported in the 2000–01 edition of the State Controller's Special Districts Annual Report, a police protection nonenterprise function with certified peace officers, as described in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code, or a fire protection nonenterprise function, "the total amount of ad valorem property tax revenue allocated in the prior fiscal year" does not include any ad valorem property tax revenue that was allocated to that district for fire protection or police protection nonenterprise functions, as reported in the 2000–01 edition of the State Controller's Special Districts Annual Report.

(3) For purposes of this section, "revenues that are pledged to debt service" includes only those amounts required as the sole source of repayment to pay debt service costs in the 2002–03 fiscal year on debt instruments issued by an enterprise special district for the acquisition of fixed assets. For purposes of this paragraph, "fixed assets" means land, buildings, equipment, and improvements, including improvements to buildings.

SEC. 24. Section 97.73 is added to the Revenue and Taxation Code, to read:

97.73. Notwithstanding any other provision of law, for each of the 2004–05 and 2005–06 fiscal years, all of the following apply:

(a) (1) (A) The total amount of ad valorem property tax revenue, other than those revenues that are pledged to debt service, deemed

allocated for the prior fiscal year to each nonenterprise special district shall be reduced by 10 percent.

(B) If a nonenterprise special district is located in more than one county, the auditor of each county in which that nonenterprise special district is located shall implement that portion of the total reduction, required by subparagraph (A) with respect to that district, determined by the ratio of the amount of ad valorem property tax revenue allocated to that district from the county to the total amount of ad valorem property tax revenue allocated to that district from all counties.

(2) The Controller shall, on or before November 12, 2004, and on or before November 12, 2005, notify the auditor of each county and city and county of the amount of the ad valorem property tax revenue reduction required by paragraph (1) for each nonenterprise special district in the county. The Controller shall certify that the calculation of the ad valorem property tax revenue reduction for each nonenterprise special district within each county is accurate and correct, and submit this information to the Director of Finance.

(b) That amount of ad valorem property tax revenue that is not allocated to a nonenterprise special district as a result of subdivision (a) shall instead be deposited in the county Educational Revenue Augmentation Fund and shall be allocated as specified in subdivision (d) of Section 97.3.

(c) For purposes of this section, all of the following apply:

(1) (A) “Nonenterprise special district” means a special district that engages solely, as reported in the 2000–01 edition of the State Controller’s Special Districts Annual Report, in nonenterprise functions, and a qualified special district as defined in Section 97.34.

(B) Notwithstanding any other provision of law, “nonenterprise special district” does not include any of the following:

(i) A fire protection district that was formed under the Shade Tree Law of 1909 set forth in Article 2 (commencing with Section 25620) of Chapter 7 of Division 2 of Title 3 of the Government Code.

(ii) A police protection district formed pursuant to Part 1 (commencing with Section 20000) of Division 14 of the Health and Safety Code.

(iii) A fire protection district formed under the Fire Protection District Law of 1987 (Part 2.7 (commencing with Section 13800) of Division 12 of the Health and Safety Code) or a fire protection district formed under the Fire Protection District Law of 1961, or any of its statutory predecessors, and that existed on January 1, 1988.

(iv) Any library special district, including, but not limited to, the following:



(I) A county free library system established pursuant to Article 1 (commencing with Section 19100) of Chapter 6 of Part 11 of Division 1 of Title 1 of the Education Code.

(II) A unified school district and union school district public library district established pursuant to Chapter 3 (commencing with Section 18300) of Part 11 of Division 1 of Title 1 of the Education Code.

(III) A library district established pursuant to Chapter 8 (commencing with Section 19400) of Part 11 of Division 1 of Title 1 of the Education Code.

(IV) A library district in unincorporated towns and villages established pursuant to Chapter 9 (commencing with Section 19600) of Part 11 of Division 1 of Title 1 of the Education Code.

(v) A memorial district formed pursuant to Article 1 (commencing with Section 1170) of Chapter 1 of Part 2 of Division 6 of the Military and Veterans Code.

(vi) A mosquito abatement district or a vector control district formed pursuant to Chapter 1 (commencing with Section 2000) of Division 3 of the Health and Safety Code, or any predecessor to that law.

(2) With respect to a nonenterprise special district that performs, as reported in the 2000–01 edition of the State Controller’s Special Districts Annual Report, nonenterprise functions and police protection services with certified peace officers, as described in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code, or nonenterprise functions and fire protection services, “the total amount of ad valorem property tax revenue allocated in the prior fiscal year” does not include any ad valorem property tax revenue that was allocated by that district for fire protection or police protection nonenterprise functions, as reported in the 2000–01 edition of the State Controller’s Special Districts Annual Report.

(3) With respect to a nonenterprise special district formed pursuant to Article 3 (commencing with Section 5500) of Chapter 3 of Division 5 of the Public Resources Code that performs, as reported in the 2000–01 edition of the State Controller’s Special Districts Annual Report, nonenterprise functions and police protection services with certified peace officers, as described in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code, or nonenterprise functions and fire protection services, “the total amount of ad valorem property tax allocated in the prior fiscal year” does not include net expenditures by that district for fire protection or police protection nonenterprise functions, as reported in the 2000–01 edition of the State Controller’s Special Districts Annual Report.

(4) For purposes of this section, “revenues that are pledged to debt service” includes only those amounts required as the sole source of



repayment to pay debt service costs in the 2002–03 fiscal year on debt instruments issued by a nonenterprise special district for the acquisition of fixed assets. For purposes of this paragraph, “fixed assets” means land, buildings, equipment, and improvements, including improvements to buildings.

SEC. 25. Section 97.74 is added to the Revenue and Taxation Code, to read:

97.74. Notwithstanding any other provision of law, for purposes of ad valorem property tax revenue allocations for the 2006–07 fiscal year, the total amount of ad valorem property tax revenue deemed allocated to each enterprise special district and each nonenterprise special district for the 2005–06 fiscal year shall be increased by an amount equal to the total amount of the reductions in the amount of ad valorem property tax revenue allocated to the entity as a result of Sections 97.72 and 97.73, including any portion of the annual tax increment that was not allocated to that entity for the 2004–05 and 2005–06 fiscal years as a result of the reductions required by those sections.

SEC. 26. Section 97.75 is added to the Revenue and Taxation Code, to read:

97.75. Notwithstanding any other provision of law, for the 2004–05 and 2005–06 fiscal years, a county shall not impose a fee, charge, or other levy on a city, nor reduce a city’s allocation of ad valorem property tax revenue, in reimbursement for the services performed by the county under Sections 97.68 and 97.70. For the 2006–07 fiscal year and each fiscal year thereafter, a county may impose a fee, charge, or other levy on a city for these services, but the fee, charge, or other levy shall not exceed the actual cost of providing these services.

SEC. 27. Section 97.76 is added to the Revenue and Taxation Code, to read:

97.76. (a) On or before September 1, 2004, the Controller shall determine the countywide vehicle license fee adjustment amount, as defined in Section 97.70, for the 2004–05 fiscal year and the vehicle license fee adjustment amount, as defined in Section 97.70, for each city, county, and city and county for the 2004–05 fiscal year, and notify the county auditor of these amounts.

(b) On or before September 1, 2005, the Controller shall determine the amount specified in clause (i) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 97.70 for each city, county, and city and county and notify the county auditor of these amounts.

SEC. 28. Section 97.77 is added to the Revenue and Taxation Code, to read:

97.77. An enterprise special district and a nonenterprise special district shall not pledge, on or after July 1, 2004, and before June 30,



2006, through a bond covenant to pay debt service costs on debt instruments issued by the district, any ad valorem property tax revenue that would otherwise be dedicated to the reduction required by Sections 97.72 and 97.73.

SEC. 29. Section 98.02 of the Revenue and Taxation Code is amended to read:

98.02. (a) In the County of Ventura, the computations made pursuant to Section 96.1 or its predecessor section, for the 1989–90 fiscal year and each fiscal year thereafter, shall be modified as follows:

With respect to tax rate areas, except excluded tax rate areas, within the boundaries of a qualifying city, there shall be excluded from the aggregate amount of “property tax revenue allocated pursuant to this chapter to local agencies, other than for a qualifying city, in the prior fiscal year,” an amount equal to the sum of the amounts calculated pursuant to the TEA formula.

(b) (1) Each qualifying city shall, for the 1989–90 fiscal year and each fiscal year thereafter, be allocated by the auditor an amount determined pursuant to the TEA formula.

(2) For each qualifying city, the auditor shall, for the 1989–90 fiscal year and each fiscal year thereafter, distribute the amount determined pursuant to the TEA formula to all tax rate areas, except excluded tax rate areas, within that city in proportion to each tax rate area’s share of the total assessed value in the city for the applicable fiscal year, and the amount so determined shall be subtracted from the county’s proportionate share of the property tax revenue for that fiscal year within those tax rate areas.

(3) After making the allocations pursuant to paragraphs (1) and (2), but before making the calculations pursuant to Section 96.5 or its predecessor section, the auditor shall, for all tax rate areas, except excluded tax rate areas, in the qualifying city, calculate the proportionate share of property tax revenue allocated pursuant to this section and Section 96.1, or their predecessor sections, in the 1989–90 fiscal year and each fiscal year thereafter to each jurisdiction in the tax rate area.

(4) In lieu of making the allocations of annual tax increment pursuant to subdivision (e) of Section 96.5 or its predecessor section, the auditor shall for the 1989–90 fiscal year and each fiscal year thereafter, allocate the amount of property tax revenue determined pursuant to subdivision (d) of Section 98 to jurisdictions in the tax rate area, except an excluded tax rate area, using the proportionate shares derived pursuant to paragraph (3).

(5) For purposes of the calculations made pursuant to Section 96.1 or its predecessor section, in the 1990–91 fiscal year and each fiscal year thereafter, the amounts that would have been allocated to all tax rate



areas, except excluded tax rate areas, of qualifying cities pursuant to this subdivision shall be deemed to be the “amount of property tax revenue allocated to those tax rate areas in the prior fiscal year.”

(c) “TEA formula” means the Tax Equity Allocation formula, and shall be calculated by the auditor for each qualifying city as follows:

(1) For the 1988–89 fiscal year and each fiscal year thereafter, the auditor shall determine the total amount of property tax revenue to be allocated to all jurisdictions in all tax rate areas, except excluded tax rate areas, within the qualifying city, before the allocation and payment of funds in that fiscal year to a community redevelopment agency within the qualifying city, as provided in subdivision (b) of Section 33670 of the Health and Safety Code.

(2) The auditor shall determine the amount of funds allocated in each fiscal year to those tax rate areas, except excluded tax rate areas, within a community redevelopment agency in accordance with subdivision (b) of Section 33670 of the Health and Safety Code.

(3) (A) The auditor shall determine the total amount of funds paid in each fiscal year by a community redevelopment agency within the city to jurisdictions other than the city pursuant to subdivision (b) of Section 33401 and Section 33676 of the Health and Safety Code, and the cost to the redevelopment agency of any land or facilities transferred and any amounts paid to jurisdictions other than the city to assist in the construction or reconstruction of facilities pursuant to an agreement entered into under Section 33401 or 33445.5 of the Health and Safety Code.

(B) Of the total amount determined in subparagraph (A), the auditor shall compute a proportionate amount to be attributed to all tax rate areas, except excluded tax rate areas, within the community redevelopment agency. That proportionate amount shall be equal to that proportion which the amount determined in paragraph (2) in each fiscal year bears to the total amount of funds allocated in each fiscal year to a community redevelopment agency in accordance with subdivision (b) of Section 33670 of the Health and Safety Code.

(4) The auditor shall subtract the amount determined in subparagraph (B) of paragraph (3) from the amount determined in paragraph (2).

(5) The auditor shall subtract the amount determined in paragraph (4) from the amount determined in paragraph (1).

(6) The amount computed in paragraph (5) shall be multiplied by the following percentages in order to determine the TEA formula amount to be distributed to the qualifying city in each fiscal year:

(A) For the first fiscal year in which the qualifying city receives a distribution pursuant to this section, 1 percent of the amount determined in paragraph (5).



(B) For the second fiscal year in which the qualifying city receives a distribution pursuant to this section, 2 percent of the amount determined in paragraph (5).

(C) For the third fiscal year in which the qualifying city receives a distribution pursuant to this section, 3 percent of the amount determined in paragraph (5).

(D) For the fourth fiscal year and each fiscal year thereafter in which the qualifying city receives a distribution pursuant to this section, 4 percent of the amount determined in paragraph (5).

(d) For purposes of this section, “excluded tax rate area” means either of the following:

(1) Any tax rate area included in territory annexed by the qualifying city and allocated a prescribed percentage of property tax revenue pursuant to an existing agreement between the qualifying city and the county.

(2) Any tax rate area described in paragraph (1) that was detached from the county library district and that is also allocated an additional prescribed percentage of property tax revenue pursuant to an existing agreement between the qualifying city and the county.

(e) (1) All existing agreements between the qualifying city and the county covering the allocation of property tax revenues to tax rate areas described in subdivision (d) shall remain in force.

(2) All existing agreements between the qualifying city and the county covering the allocation of property tax revenues to tax rate areas that were detached from the county library district but are not included in territory that was annexed by the qualifying city shall remain in force.

(3) All allocations to those tax rate areas described in subdivision (d), including allocations of annual tax increments, made pursuant to the existing agreements between the qualifying city and the county shall be governed by subdivision (a) of Section 96.1 and Section 96.5.

(4) All allocations to those tax rate areas described in paragraph (2), including allocations of annual tax increments, made pursuant to the existing agreements between the qualifying city and the county shall be governed by subdivision (a) of Section 96.1 and Section 96.5. However, the tax rate areas referred to in this paragraph shall also be distributed an amount of property tax revenue determined pursuant to the TEA formula that is over and above the amount allocated as provided in the preceding sentence.

(f) “Qualifying city” means any city that incorporated prior to June 5, 1987, and had an amount of property tax revenue allocated to it pursuant to subdivision (a) of Section 96.1 or its predecessor section in the 1988–89 fiscal year that is less than 4 percent of the amount of property tax revenue computed as follows:



(1) The auditor shall determine the total amount of property tax revenue allocated to all tax rate areas, except excluded tax rate areas, in the city in the 1988–89 fiscal year.

(2) The auditor shall subtract the amount in the 1988–89 fiscal year determined in paragraph (3) of subdivision (c) from the amount determined in paragraph (2) of subdivision (c).

(3) The auditor shall subtract the amount determined in paragraph (2) from the amount of property tax revenue in paragraph (1) of subdivision (c).

(4) The auditor shall divide the amount of property tax revenue determined in paragraph (1) of this subdivision by the amount of property tax revenue determined in paragraph (3) of this subdivision.

(5) If the quotient determined in paragraph (4) of this subdivision is less than 0.04, the city is a qualifying city. If the quotient determined in that paragraph is equal to or greater than 0.04, the city is not a qualifying city.

(g) The auditor may assess each qualifying city its proportional share of the actual costs of making the calculations required by this section, and may deduct that assessment from the amount allocated pursuant to subdivision (b). For purposes of this subdivision, a qualifying city's proportional share of the auditor's actual costs shall not exceed the proportion it receives of the total amounts excluded in the county pursuant to subdivision (a).

(h) (1) Notwithstanding subdivision (b), except as otherwise provided in paragraph (2), in any fiscal year in which a qualifying city receives a distribution pursuant to this section, the auditor shall reduce the actual amount distributed to the qualifying city by the amount of revenue not collected by the qualifying city in the first fiscal year following the city's reduction after January 1, 1988, of the tax rate or tax base of any locally imposed general or special tax. The amount so computed by the auditor shall constitute a reduction in the amount of property tax revenue distributed to the qualifying city pursuant to this section in each succeeding fiscal year. That amount shall be aggregated with any additional amount computed pursuant to this paragraph as the result of the city's reduction in any subsequent year of the tax rate or tax base of the same or any other locally imposed general or special tax.

(2) No reduction shall be made pursuant to paragraph (1) in the case in which a local tax is reduced or eliminated as a result of either a court decision or the approval or rejection of a ballot measure by the voters.

(i) If the auditor determines that the amount to be distributed to a qualifying city pursuant to subdivision (b), as modified by subdivisions (g) and (h), would result in a qualifying city having proceeds of taxes in excess of its appropriation limit, the auditor shall reduce the amount, on



a dollar-for-dollar basis, by the amount that exceeds the city's appropriations limit.

(j) Notwithstanding any other provision of this section, no qualifying city shall be distributed an amount pursuant to this section that is less than the amount the city would have been allocated without the application of the TEA formula.

(k) (1) Notwithstanding any other provision of this section, commencing with the 1994–95 fiscal year, the auditor shall not reduce the amount distributed to a qualifying city under this section by reason of that city becoming the successor agency to a special district that is dissolved, merged with that city, or becomes a subsidiary district of that city, on or after July 1, 1994.

(2) Notwithstanding any other provision of this section, in no event may the auditor reduce the amount of ad valorem property tax revenue otherwise allocated to a qualifying city pursuant to this section on the basis of any additional ad valorem property tax revenues received by that city pursuant to a services for revenue agreement. For purposes of this subdivision, a “services for revenue agreement” means any agreement between a qualifying city and the county in which it is located, entered into by joint resolution of that city and that county, under which additional service responsibilities are exchanged in consideration for additional property tax revenues.

(l) The amount not distributed as a result of this section to the tax rate areas, except excluded tax rate areas, in each qualifying city shall be allocated by the auditor to the county.

SEC. 29.5. Section 7203.1 of the Revenue and Taxation Code is amended to read:

7203.1. (a) Notwithstanding any other provision of law, during the revenue exchange period only, the authority of a county or a city under this part to impose a tax rate as specified in an ordinance adopted pursuant to Sections 7202 and 7203 is suspended, and the tax rate to be applied instead during that period under any ordinance as so adopted is the rate specified in that ordinance on January 1, 2004, reduced by one-quarter of 1 percent.

(b) For purposes of this section, “revenue exchange period” means the period on and after July 1, 2004, and before the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

(c) Subdivision (a) is a self-executing provision that operates without regard to any decision or act on the part of any local government. A change in a local general tax rate resulting from either the rate limitations applied by subdivision (a) or the end of the revenue exchange period is



not subject to voter approval under either statute or Article XIII C of the California Constitution.

(d) Existing tax exchange or revenue sharing agreements, entered into prior to the operative date of this section, between local agencies or between local agencies and nonlocal agencies shall be deemed to be temporarily modified to account for the reduction in sales and use tax revenues resulting from this section, with those reduced revenues to be replaced as may otherwise be provided by law.

SEC. 30. Section 10752 of the Revenue and Taxation Code is amended to read:

10752. The annual amount of the license fee for any vehicle, other than a trailer or semitrailer, as described in subdivision (a) of Section 5014.1 of the Vehicle Code, or a trailer coach that is required to be moved under permit as authorized in Section 35790 of the Vehicle Code, shall be a sum equal to 2 percent, and on and after January 1, 2005, 0.65 percent, of the market value of the vehicle as determined by the department.

SEC. 31. Section 10752.1 of the Revenue and Taxation Code is amended to read:

10752.1. The annual amount of the license fee for a trailer coach which is required to be moved under permit as authorized in Section 35790 of the Vehicle Code shall be a sum equal to 2 percent, and on and after January 1, 2005, 0.65 percent, of the market value of the vehicle as determined by the department.

SEC. 32. Section 10753.2 of the Revenue and Taxation Code is amended to read:

10753.2. (a) After determining the cost price to the purchaser, as provided in this article, the department shall classify or reclassify every vehicle, other than a trailer or semitrailer, as described in subdivision (a) of Section 5014.1 of the Vehicle Code, in its proper class according to the classification plan set forth in this section.

(b) For the purpose of this part, a classification plan is established consisting of the following classes: a class from zero dollars (\$0) to and including forty-nine dollars and ninety-nine cents (\$49.99); a class from fifty dollars (\$50) to and including one hundred ninety-nine dollars and ninety-nine cents (\$199.99); and thereafter a series of classes successively set up in brackets having a spread of two hundred dollars (\$200), consisting of a number of classes that will permit classification of all vehicles.

(c) The market value of a vehicle, other than a trailer or semitrailer, as described in subdivision (a) of Section 5014.1 of the Vehicle Code, for each registration year, starting with the year the vehicle was first sold to a consumer as a new vehicle, or the year the vehicle was first



purchased or assembled by the person applying for original registration in this state, or the year the vehicle was sold to the current registered owner as a used vehicle, shall be as follows: for the first year, 100 percent of a sum equal to the middle point between the extremes of its class as established in subdivision (b); for the second year, 90 percent of that sum; for the third year, 80 percent of that sum; for the fourth year, 70 percent of that sum; for the fifth year, 60 percent of that sum; for the sixth year, 50 percent of that sum; for the seventh year, 40 percent of that sum; for the eighth year, 30 percent of that sum; for the ninth year, 25 percent of that sum; and for the 10th year, 20 percent of that sum; and for the 11th year and each succeeding year, 15 percent of that sum; provided, however, that the minimum tax shall be the sum of one dollar (\$1). Notwithstanding this subdivision, the market value of a trailer coach first sold on and after January 1, 1966, that is required to be moved under permit as authorized in Section 35790 of the Vehicle Code, shall be determined by the schedule in Section 10753.3.

(d) Notwithstanding any other provision of law, this section is operative for the period beginning on and after the effective date of the act amending this subdivision.

SEC. 33. Section 10753.8 of the Revenue and Taxation Code is repealed.

SEC. 34. Section 10754 of the Revenue and Taxation Code is amended to read:

10754. (a) Notwithstanding any other provision of law, the total amount of the vehicle license fee otherwise required with respect to a vehicle shall be offset in accordance with those provisions set forth below that are operative pursuant to subdivision (b):

(1) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to 25 percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required



by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(2) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to 35 percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(3) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to $67\frac{1}{2}$ percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(b) The offset provisions set forth in subdivision (a) shall be operative as provided by the following:

(1) Paragraph (1) of subdivision (a) shall be operative for vehicle license fees with a final due date in the calendar year beginning on January 1, 1999.



(2) Paragraph (2) of subdivision (a) shall be operative for vehicle license fees with a final due date on or after January 1, 2000, and before July 1, 2001.

(3) Paragraph (3) of subdivision (a) shall be operative for vehicle license fees with a final due date on or after July 1, 2001, and before January 1, 2005.

(c) (1) For purposes of this section, “department” means the Department of Motor Vehicles with respect to a vehicle license fee offset for a vehicle subject to registration under the Vehicle Code, and the Department of Housing and Community Development with respect to a vehicle license fee offset for a manufactured home, mobilehome, or commercial coach described in Section 18115 of the Health and Safety Code.

(2) For purposes of this section, the “final due date” for a license fee is the last date upon which that fee may be paid without being delinquent.

(d) This section is repealed on January 1, 2005.

SEC. 35. Section 10754.11 is added to the Revenue and Taxation Code, to read:

10754.11. (a) (1) On August 15, 2006, the Controller shall transfer from the General Fund to the Gap Repayment Fund, which is hereby created in the State Treasury, an amount equal to the total amount of offsets that were applied to new vehicle registrations before October 1, 2003, and that were applied to vehicle license fees with a due date before October 1, 2003, that were not transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund and the Local Revenue Fund due to the operation of Item 9100-102-0001 of Section 2.00 of the Budget Act of 2003. The amount of this transfer shall include transfers not made for offsets applied on or after June 20, 2003, transfers required under clause (iii) of subparagraph (B) of paragraph (2) of subdivision (a) of Section 11000 as that section read on June 30, 2004, and the additional amounts required to be transferred to the Local Revenue Fund pursuant to paragraph (2) of subdivision (a) of Section 11001.5 and paragraph (2) of subdivision (d) of that same section, less any amount that was appropriated under clause (iii) of subparagraph (D) of paragraph (3) of subdivision (a) of Section 10754, as that section read on June 30, 2004.

(2) The Controller may make the transfer required by paragraph (1) prior to August 15, 2006, if that transfer is authorized by the Legislature.

(b) The Controller shall allocate moneys in the Gap Repayment Fund to cities, counties, and cities and counties in accordance with the provisions of subdivisions (c) and (d) of Section 11005, as that section read on January 1, 2004.



(c) This section is operative for the period beginning on and after July 1, 2004.

SEC. 36. Section 11000 of the Revenue and Taxation Code is repealed.

SEC. 37. Section 11001.5 of the Revenue and Taxation Code is amended to read:

11001.5. (a) (1) Notwithstanding Section 11001, and except as provided in paragraph (2) and in subdivisions (b) and (d), 24.33 percent, and on and after July 1, 2004, 74.9 percent, of the moneys collected by the department under this part shall be reported monthly to the Controller, and at the same time, deposited in the State Treasury to the credit of the Local Revenue Fund, as established pursuant to Section 17600 of the Welfare and Institutions Code. All other moneys collected by the department under this part shall continue to be deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund and first allocated to the County of Orange as necessary for the service of indebtedness as pledged by Sections 25350.6 and 53585.1 of the Government Code and in accordance with written instructions provided by the Controller under Sections 25350.7, 25350.9, and 53585.1 of the Government Code, and the balance shall be allocated to each city and county as otherwise provided by law.

(2) For the period beginning on and after July 1, 2003, and ending on February 29, 2004, the Controller shall deposit an amount equal to 28.07 percent of the moneys collected by the department under this part in the State Treasury to the credit of the Local Revenue Fund. All other moneys collected by the department under this part shall continue to be deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund and allocated to each city, county, and city and county as otherwise provided by law.

(b) Notwithstanding Section 11001, net funds collected as a result of procedures developed for greater compliance with vehicle license fee laws in order to increase the amount of vehicle license fee collections shall be reported monthly to the Controller, and at the same time, deposited in the State Treasury to the credit of the Vehicle License Fee Collection Account of the Local Revenue Fund as established pursuant to Section 17600 of the Welfare and Institutions Code. All revenues in excess of fourteen million dollars (\$14,000,000) in any fiscal year shall be allocated to cities and counties as specified in subdivisions (c) and (d) of Section 11005.

(c) Notwithstanding Section 11001, 25.72 percent of the moneys collected by the department on or after August 1, 1991, and before August 1, 1992, under this part shall be reported monthly to the Controller, and at the same time, deposited in the State Treasury to the



credit of the Local Revenue Fund, as established pursuant to Section 17600 of the Welfare and Institutions Code. All other moneys collected by the department under this part shall continue to be deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund and allocated to each city, county, and city and county as otherwise provided by law.

(d) Notwithstanding any other provision of law, both of the following apply:

(1) This section is operative for the period beginning on and after March 1, 2004.

(2) It is the intent of the Legislature that the total amount deposited by the Controller in the State Treasury to the credit of the Local Revenue Fund for the 2003–04 fiscal year be equal to the total amount that would have been deposited to the credit of the Local Revenue Fund if paragraph (1) of subdivision (a) was applied during that entire fiscal year. The department shall calculate and notify the Controller of the adjustment amounts that are required by this paragraph to be deposited in the State Treasury to the credit of the Local Revenue Fund. The amounts deposited in the State Treasury to the credit of the Local Revenue Fund pursuant to this paragraph shall be deemed to have been deposited during the 2003–04 fiscal year.

(e) This section does not amend nor is it intended to amend or impair Section 25350 and following of, Section 53584 and following of, the Government Code, or any other statute dealing with the interception of funds.

SEC. 38. Section 11003 of the Revenue and Taxation Code is amended to read:

11003. The amount appropriated by the Legislature for the use of the Department of Motor Vehicles and the Franchise Tax Board for the enforcement of this part shall be transferred from the Motor Vehicle License Fee Account in the Transportation Tax Fund to the Motor Vehicle Account in the State Transportation Fund. That amount shall be determined so that the appropriate costs for registration and motor vehicle license fee activities are apportioned between the recipients of revenues in proportion to the revenues that would have been received by those recipients if the total fee imposed under this part was 2 percent of the market value of a vehicle.

SEC. 39. Section 11005 of the Revenue and Taxation Code is repealed.

SEC. 40. Section 11005 is added to the Revenue and Taxation Code, to read:

11005. After payment of refunds therefrom and after making the deductions authorized by Section 11003 and reserving the amount



determined necessary by the Pooled Money Investment Board to meet the transfers ordered or proposed to be ordered pursuant to Section 16310 of the Government Code, commencing with the 2004–05 fiscal year, the balance of all motor vehicle license fees, net of those amounts required to be allocated to the County of Orange for service of indebtedness, and any other money appropriated by law for expenditure pursuant to this section and deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund and remaining unexpended therein at the close of business on the last day of the calendar month, shall be allocated by the Controller by the 10th day of the following month in accordance with the following:

(a) First, to each city, the population of which is determined under Section 11005.3 on the operative date of this section, in an amount equal to the additional amount of vehicle license fee revenue that would be allocated to that city under Section 11005, as it read on January 1, 2004, as a result of that city's population being determined under Section 11005.3.

(b) Second, to the cities and cities and counties of this state in the proportion that the population of each city or city and county bears to the total population of all cities and cities and counties in this state, as determined by the population research unit of the Department of Finance. For the purpose of this subdivision, the population of each city or city and county is that determined by the last federal decennial or special census, or a subsequent census validated by the demographic research unit or subsequent estimate prepared pursuant to Section 2107.2 of the Streets and Highways Code.

SEC. 41. Section 11005.7 of the Revenue and Taxation Code is repealed.

SEC. 42. Section 42205 of the Vehicle Code is amended to read:

42205. (a) Notwithstanding Chapter 3 (commencing with Section 42270), the department shall file, at least monthly with the Controller, a report of money received by the department pursuant to Section 9400 for the previous month and shall, at the same time, remit all money so reported to the Treasurer. On order of the Controller, the Treasurer shall deposit all money so remitted into the State Highway Account in the State Transportation Fund.

(b) The Legislature shall appropriate from the State Highway Account in the State Transportation Fund to the department and the Franchise Tax Board amounts equal to the costs incurred by each in performing their duties pursuant to Article 3 (commencing with Section 9400) of Chapter 6 of Division 3. The applicable amounts shall be determined so that the appropriate costs for registration and weight fee collection activities are appropriated between the recipients of revenues



in proportion to the revenues that would have been received individually by those recipients if the total fee imposed under the Vehicle License Fee Law (Part 5 (commencing with Section 10701) of Division 2 of the Revenue and Taxation Code) was 2 percent of the market value of a vehicle. The remainder of the funds collected under Section 9400 and deposited in the account may be appropriated to the Department of Transportation, the Department of the California Highway Patrol, and the Department of Motor Vehicles for the purposes authorized under Section 2 of Article XIX of the California Constitution.

SEC. 43. Section 210 of Chapter 89 of the Statutes of 1991 is repealed.

SEC. 44. Section 40 of Chapter 91 of the Statutes of 1991 is amended to read:

Sec. 40. In the event of a final judicial determination by a California court of appellate jurisdiction that the revenues collected pursuant to Sections 6051.2 and 6201.2 of the Revenue and Taxation Code are General Fund proceeds of taxes that may be appropriated pursuant to Article XIII B of the California Constitution or allocated local proceeds of taxes as used in paragraph (2) of subdivision (b) of Article XVI of the California Constitution, then Sections 6051.2 and 6201.2 of the Revenue and Taxation Code shall cease to be operative on the first day of the first month of the calendar quarter following notification to the State Board of Equalization by the Department of Finance of the determination.

SEC. 45. Section 29 of Chapter 100 of the Statutes of 1993 is repealed.

SEC. 46. This measure provides ad valorem property tax revenues in lieu of moneys that were required to be allocated to cities, counties, and cities and counties for the 2004–05 fiscal year and each fiscal year thereafter under the Vehicle License Fee Law, as that law read before the effective date of this act. Because this act will take effect after the beginning of the 2004–05 fiscal year, these entities will continue to receive certain moneys under the Vehicle License Fee Law for a portion of the 2004–05 fiscal year.

Therefore, it is the intent of the Legislature to enact legislation to ensure that cities, counties, and cities and counties receive an amount of money equal to the moneys that these entities would have received under the Vehicle License Fee Law for the 2004–05 fiscal year, as that law read before the effective date of this act.

SEC. 47. The Legislature finds and declares all of the following:

(a) This act would, by means of provisions relating to the allocation of property tax and vehicle license fee revenues, and the rate of the



vehicle license fee, comprehensively revise and reform local government finance.

(b) The Local Taxpayers and Public Safety Protection Act, which appears as Proposition 65 on the November 2, 2004, general election ballot (hereafter Proposition 65), would suspend the effect and operation of any interim statute, as defined in Proposition 65, pending the approval of that interim statute in a specified manner by the statewide electorate at the first statewide election occurring after that statute takes effect.

(c) This act comprehensively revises and reforms local government finance by means of various provisions that take effect between November 1, 2003, and November 3, 2004, and that, if proposed on or after November 3, 2004, would be subject to voter approval under Section 1 of Article XIII E of the California Constitution, as added by Proposition 65, should that measure be approved by the voters and take effect.

(d) Therefore, this act is in its entirety an interim statute within the meaning of Proposition 65, the effect and operation of which is suspended pending voter approval as required by that measure, should that measure be approved by the voters and take effect.

SEC. 48. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars (\$1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

SEC. 49. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to enact the statutory changes needed to implement the Budget Act of 2004 to allow the state and local governments to preserve the public peace, health, and safety, it is necessary that this act take effect immediately.

